

CPD-CMI
Working Paper Series

6

Finance for Local Government
in Bangladesh
An Elusive Agenda

Debapriya Bhattacharya
Mobasser Monem
Umme Shefa Rezbana

FINANCE FOR LOCAL GOVERNMENT IN BANGLADESH

An Elusive Agenda

CPD-CMI Working Paper 6

Debapriya Bhattacharya

Mobasser Monem

Umme Shefa Rezbana

Publishers

Centre for Policy Dialogue (CPD)

House 40C, Road 32, Dhanmondi R/A

Dhaka 1209, Bangladesh

Telephone: (+88 02) 8124770, 9126402, 9141703, 9141734

Fax: (+88 02) 8130951; E-mail: info@cpd.org.bd

Website: cpd.org.bd

Chr. Michelsen Institute (CMI)

Jekteviksbakken 31, 5006 Bergen, Norway

P.O. Box 6033 Bedriftssenteret, N-5892 Bergen, Norway

Telephone: (+47 47) 93 80 00; Fax: (+47 47) 93 80 01

E-mail: cmi@cmi.no; Website: www.cmi.no

First Published November 2013

© Centre for Policy Dialogue (CPD)

Disclaimer: The views expressed in this paper are those of the authors alone and do not necessarily reflect the views of CPD or CMI.

Tk. 90

USD 6

ISSN 2225-8175 (Online)

ISSN 2225-8035 (Print)

Cover Design

Avra Bhattacharjee

CCM42013_3WP6_DGP

The present Working Paper Series emerged from a joint collaborative programme being implemented by the **Centre for Policy Dialogue (CPD)**, Dhaka, Bangladesh and the **Chr. Michelsen Institute (CMI)**, Bergen, Norway. This three-year research cooperation programme focuses on issues of common interest to both the organisations and services the demands of Bangladesh economy in a number of key sectors. This programme is being implemented with support from the Norwegian Ministry of Foreign Affairs, in cooperation and partnership with the Royal Norwegian Embassy in Dhaka.

The **CPD**, established in 1993, is a civil society initiative in Bangladesh to promote an ongoing dialogue between the principal partners in the decision making and implementing process. A key area of CPD's activism is to organise dialogues to address developmental policy issues that are critical to national, regional and global interests with a view to seek constructive solutions from major stakeholders.

The other key area of CPD activities is to undertake research programmes which are both serviced by and are intended to serve as inputs for CPD's dialogue process. Some of the major research areas of CPD include: macroeconomic performance analysis, poverty and inequality, agriculture, trade, regional cooperation and global integration, infrastructure and enterprise development, climate change and environment, human development, development governance, policies and institutions. CPD actively networks with other institutions within and outside Bangladesh which have similar interests, and also regularly participates in various regional and international fora where interests and concerns of developing and particularly least developed countries are discussed (more information is available at: cpd.org.bd).

It may be of interest to note that in recognition of the track record in research, dialogue and policy influencing, CPD was selected as one of the awardees under the Think Tank Initiative (TTI) through a globally held competitive selection process. TTI is supported by a number of governments and foundations, and is implemented by the International Development Research Centre (IDRC), Canada (more information is available at: www.thinktankinitiative.org).

The **CMI** is an independent development research institute founded in 1930 in Bergen, Norway. The Institution works to generate and communicate research-based knowledge in the areas of fighting poverty, advancing human rights, reducing conflict and promoting sustainable social development. CMI's research focuses on local and global challenges and opportunities facing low and middle-income countries and their citizens.

CMI conducts both applied and theoretical research, and has a multidisciplinary profile anchored in ten thematic research clusters. These include aid, cultures and politics of faith, gender, global health and development, governance and corruption, natural resources, peace and conflict, poverty dynamics, public finance management, and rights and legal institutions. The Institution has an extensive network of research partners, and works in close cooperation with researchers in the South. CMI's geographic orientation is towards Sub-Saharan Africa, Southern and Central Asia, the Middle East and Latin America. CMI puts emphasis on broad country competence and regional capacity as well as insight into development processes in the South. CMI is the largest centre for development studies in the Scandinavia (more information is available at: www.cmi.no).

The purpose of this Working Paper Series is to disseminate the outputs of the CPD-CMI programme among the various stakeholders with a view to ensuring wider outreach of the programme outputs.

Series Editors: *Professor Mustafizur Rahman*, Executive Director, CPD and *Dr Arne Wiig*, Senior Researcher and Coordinator, Poverty Dynamics, CMI

Authors' Acknowledgement

This study was carried out with the funding support from the Centre for Policy Dialogue (CPD) and Chr. Michelsen Institute (CMI), Bergen. The members of the study team would like to gratefully acknowledge the support and cooperation extended by *Professor Mustafizur Rahman*, Executive Director, CPD; *Ms Anisatul Fatema Yousuf*, Director, Dialogue and Communication, CPD and *Dr Khondaker Golam Moazzem*, Additional Research Director, CPD during the entire period of this study.

The members of the study team are indebted to *Mr Saifuddin Ahmed*, Assistant Professor, Department of Peace and Conflict Studies, University of Dhaka, for his invaluable support extended at the data collection phase of this study. The study team members are also thankful to *Mr Martin Gonsalves*, *Mr Md Arafat Hossain* and *Mr Md Abdullah Ibne Siddique*, for their contribution to the field survey conducted in connection with this study.

Besides, the professional help received at different stages of this study from *Mr Kholilur Rahman*, Senior Assistant Secretary, Local Government Division, Ministry of Local Government, Rural Development and Co-operatives, Government of Bangladesh and *Mr Hasan Muhammad Baniamin*, Research Student, University of Bergen, Norway is gratefully acknowledged.

The members of the study team would also like to thank those who attended the Expert Group Meetings and offered their insightful suggestions on the study design and the findings. Particularly, the members of the study team are extremely indebted to *Dr Tofail Ahmed*, Local Governance Advisor, UNDP Bangladesh for his useful comments on the initial draft report of the study.

Finally, the members of the study team would like to extend their sincere gratitude to the survey respondents, mayors, councillors, officials of the sample municipalities and city corporations for their support and cooperation during the data collection phase.

This study, in the context of Bangladesh, explores the nature and extent of devolution of fiscal and financial powers to the city corporations/municipalities – the urban local government institutions. The study contends that these institutions are characterised by high dependence on the central government transfers, acute fiscal stress and weak accountability mechanism leading to loss of fiscal autonomy. Major spending heads of these institutions are expenditures on establishments, social/religious institutions, land development; whereas health, sanitation and education expenditures receive low allocations. The study reveals that quality of the basic services rendered by the city corporations/municipalities is quite poor; indeed, some of the inhabitants of the municipalities are even in favour of reverting to the erstwhile *union parishad* regime. The proposal to establish a permanent Local Government Finance Commission seems to enjoy extensive support.

Contents

<i>Abstract</i>	<i>v</i>
<i>Executive Summary</i>	<i>ix</i>
1. Introduction	1
2. Conceptual Framework	3
3. Design of the Study	12
4. Analysis of Field Survey Findings	17
5. Concluding Observations	30
References	33
Annex Data and Information Used for Sample Design	35

List of Tables and Figures

Tables

Table 1	Growth of National and Urban Population in Bangladesh: 1974-2011	1
Table 2	Different Levels of Fiscal Decentralisation	5
Table 3	Amount Allocated to Local Government Institutions from the Development Budget of the Local Government Division	10
Table 4	Sources of Municipal Revenue in Bangladesh	11
Table 5	Sample Municipalities and Rationale for Sampling	15
Table 6	Sample City Corporations and Rationale for Sampling	16
Table 7	Broad Profile of Survey Respondents	16
Table 8	Public Representatives' Responses to Citizens' Complaints	19
Table 9	Category-wise Variations in Public Representatives' Responses to Citizens' Complaints	19
Table 10	Relative Importance of Barriers to Own Source Revenue Generation for Municipalities	22
Table 11	Timely Receipt of Central Government Transfers in the Sampled Municipalities (by Source)	23
Table 12	Opinion on the Effectiveness of the Current System of Grant Distribution	23
Table 13	Perceptions of Mayors and Councillors on Autonomy in Different Aspects of Financial Management	25
Table 14	Perceptions of the Mayors and Councillors on the Financial Autonomy of the Municipalities	25
Table 15	Variations in the Degree of Autonomy on Different Indicators	26

Figures

Figure 1	Local Government Structure in Bangladesh	2
Figure 2	How does Fiscal Decentralisation Help?	4
Figure 3	Growth of Municipalities in Bangladesh	13
Figure 4	Functional Jurisdiction of Urban Local Government Institutions	17
Figure 5	Causes and Effects of Low Local Revenue Collection by Municipalities	21
Figure 6	Barriers to Own Source Revenue Generation for Municipalities	22
Figure 7	Contributions of Holding Taxes and Central Grants to Total Revenues of Sampled Municipalities and City Corporations in FY2010-11	24
Figure 8	Major Areas of Expenditure of Sampled Municipalities and City Corporations: 2010-11	26
Figure 9	Major Areas of Development Expenditure of Sampled Municipalities and City Corporations: 2010-11	27

Executive Summary

Bangladesh has experienced a rapid rate of urbanisation during its post-independence period and local government is struggling to keep up. More and more people are choosing to live in urban areas. Successive governments have constituted a number of new municipalities (*pourashavas*) and city corporations over the past four decades. As of October 2013, 321 municipalities and 10 city corporations that are mandated to provide various public services – in areas such as organisation, production, income generation, employment, public health, sanitation, water, infrastructure and welfare – serve the growing urban population in Bangladesh. The extent to which a municipality is able to deliver services efficiently depends on the level and nature of finance. Although reform initiatives regarding the nomenclature of tiers of local government have been taken from time to time, effective financing of local governments such as municipalities remains a major challenge in the country.

This paper aims to update the state of knowledge on contemporary local government issues in general, and local government finance in particular. The major focus of this study is municipal finance within the framework of fiscal decentralisation and in the specific context of Bangladesh. It attempts to assess the nature and extent of devolution of fiscal and financial powers and examine the existing accountability mechanisms for the municipalities and city corporations. Empirical evidence was collected through a field survey of selected municipalities and city corporations and focus group consultations as well as by debriefing of key informants. A total of nine municipalities (at least one municipality from each administrative Division) and two city corporations were selected based on a number of criteria such as population size, year of establishment and category of municipality (A, B, C). In its review of the challenges faced by municipalities and city corporations, the paper remains sensitive to the fact that local governments vary greatly in terms of size (population and area), duration of existence, location in the national production network, infrastructure development and institutional capacity.

The study's findings demonstrate that, in the context of Bangladesh, local governments cannot work autonomously and fail to generate sufficient revenue because most of their activities are excessively controlled by the central government. The findings also reveal that the major local government expenditure heads include social and religious institutions, land development, audits, legal suits, etc., while allocation for health, sanitation and education receives lower priority in the city corporations'/municipalities' development plan. Due to poor tax collection and insufficient grants from the central government, local governments cannot undertake and execute as many development projects as they would like, and cannot provide quality basic services to local communities. In addition, lack of skilled human resources hampers local government's performance to an extent. The municipal standing committees as envisaged in the rule do exist on papers only. Over the years there has not been any serious attempt made by the municipalities to make these committees truly functional, and the absence of these committees adversely affect their downward accountability to local citizens. The citizens of the sampled city corporations/municipalities were found to be utterly dissatisfied with the quality of the basic services, and in some cases they were even in favour of reverting to the erstwhile *union parishad* regime.

There is no denying that strengthening local government is critical to bringing the state closer to the Bangladeshi people, enhancing its accountability to citizens, and moving the country away from the 'winner-takes-all' politics of centralised governance. Systematic and sustainable capacity building initiatives in conjunction with efforts to increase mobilisation of own source revenue are essential in this regard. Most respondents to the field survey viewed that a permanent Local Government Finance Commission should be set up in order to ensure objective distribution and allocation of central government finance to local governments. Such a commission would focus on a new leadership style for local government where municipalities and city corporations become more enterprising and citizens become more engaged.

1. INTRODUCTION

Since independence in 1971, Bangladesh has experienced a rapid rate of urbanisation and local government is having trouble to keep up with this trend. More and more people are choosing to live in urban centres under municipalities (*pourashavas*) and city corporations. Municipalities and city corporations are two distinct urban local government units in Bangladesh. Presently, there are 10 city corporations and 321 municipalities in Bangladesh. By law, they are mandated to provide a wide range of public services to citizens living within their jurisdiction. These public services are in areas such as organisation, production, income generation, employment, public health, sanitation, water, infrastructure and welfare.¹

As Table 1 shows, the total urban population has more than quadrupled between 1974 and 2011, from 6 million to 26.74 million. As the growth rate of urban population has been much higher than that of the population growth rate of the country, the share of urban population in total population has increased from 8.9 per cent in 1974 to 19.2 per cent in 2011, i.e. it more than doubled over the past 40 years.

Table 1: Growth of National and Urban Population in Bangladesh: 1974-2011

Census Year	Total National Population (Million)	Annual Growth Rate of National Population (%)	Total Urban Population (Million)	Level of Urbanisation (%)
1974	76.37	2.48	6.00	8.87
1981	89.91	2.32	13.56	15.54
1991	111.45	2.17	22.45	20.15
2001	123.10	1.47	28.61	23.10
2011	139.25	1.37	26.74	19.20

Sources: Islam (2012); BBS (2012).

According to the United Nations, the projected size of Bangladesh urban population in 2030 will be 86.5 million (UNDESA 2004). The urban population as a share of the national population could cross the 50 per cent mark by 2040 and the 60 per cent mark by 2050, when the country's urban population will likely to rise above 100 million (Islam 2012).

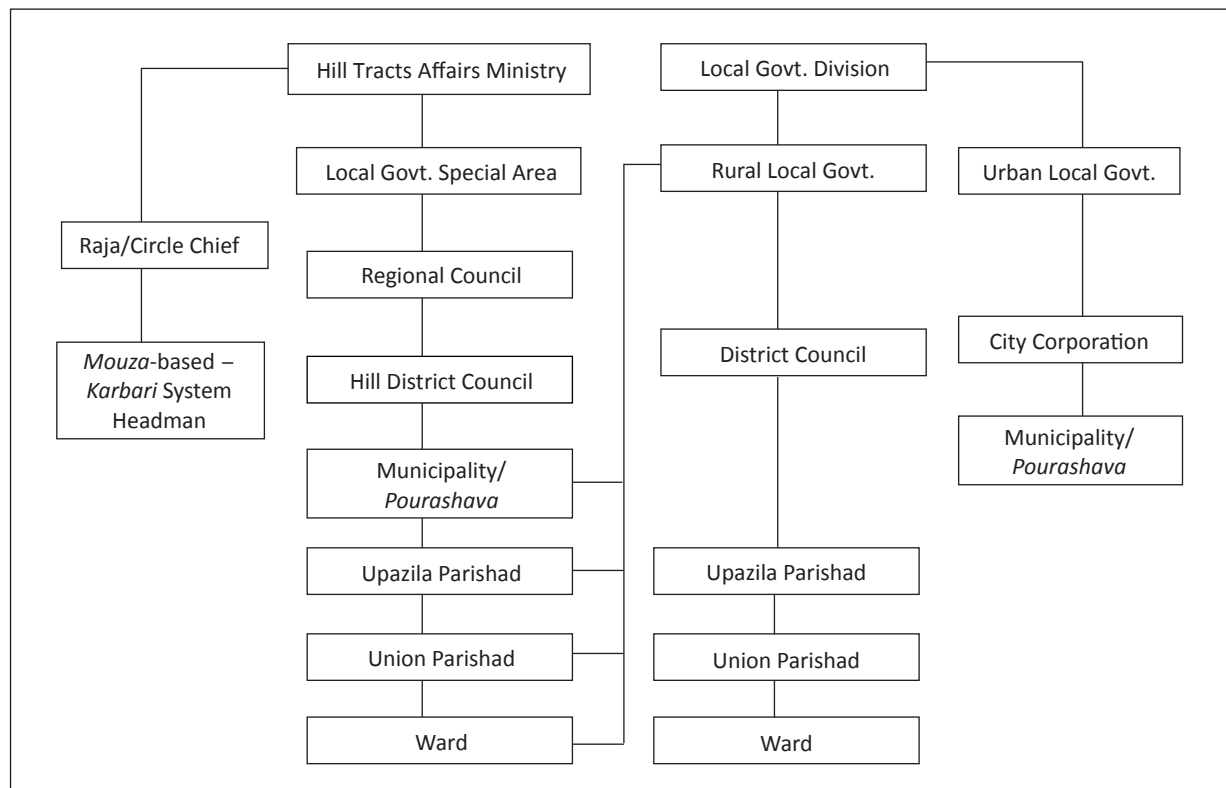
The acceleration of urban population growth in Bangladesh can partially be explained by rural to urban migration, but more due to the constitution of a number of new municipalities and city corporations over the past four decades. Figure 1 outlines the elaborate local government structure in Bangladesh. However, not all of its elements are functioning as per their respective mandates.

The focus of local government studies in Bangladesh has largely been on the lower end of the local government structure, i.e. the *union parishads* (union councils). Some studies have also focused on different aspects of *upazila parishads* (sub-district councils). However, studies on municipalities and city corporations – the middle tier of the local government structure – are very rare.

As mentioned above, municipalities are mandated to provide different types of services to citizens within their jurisdiction. The extent to which a municipality is able to efficiently deliver these services depends on the level and nature of financing. Effective financing of local governments such as municipalities remains a major challenge in Bangladesh.

¹Local Government (Pourashava) Act, 2009.

Figure 1: Local Government Structure in Bangladesh



Source: Ahmed (2012).

Municipalities in general continue to perform poorly in terms of mobilising local financial resources. Since they mobilise low per capita revenue in the form of municipal taxes, they remain dependent on government grants. Often, their revenues and central grants together fail to underwrite basic services to local communities. Municipalities thus limit their services mainly to road construction and maintenance, garbage collection, street lighting and water supply; however, the standard of delivery has always remained questionable. It is deemed that improvement in service quality will require better financial management by the municipalities.

This paper aims to update the state of knowledge on contemporary local government issues in general, and local government finance in particular, with a focus on municipalities and city corporations in Bangladesh. The major focus of this study is municipal finance within the framework of fiscal decentralisation, and in the specific context of Bangladesh. It attempts to assess the nature and extent of devolution of fiscal and financial powers, and examine existing mechanisms of accountability in part of the municipalities and city corporations. Empirical evidence was collected through a field survey of selected municipalities and city corporations and focus group consultations as well as by debriefing of key informants. A total of nine municipalities (at least one municipality from each Division) and two city corporations were selected based on a number of criteria such as population size, year of establishment, municipality category (A, B, C).² Data collection took place between December 2012 and March 2013.

²Municipal categories differ depending on the amount of annual revenue that a municipality generates. Category 'A' municipalities are distinguished by three years average income of Tk. 1 crore or more without any government grant or assistance and collect a holding tax with a rate of 75 per cent or more. Category 'B' municipalities have three years average income of at least Tk. 60 lakh without any government grant or assistance and collect a holding tax with a rate of 75 per cent or more. For the category 'C' municipalities three years average income is expected to be at least Tk. 20 lakh excluding government grant or assistance. A 'Special' municipality is the one which is in a position to generate higher income, and therefore, it can claim to be upgraded as a city corporation.

This paper has five sections. Following the introduction, Section 2 delineates a conceptual framework for the study. An overview of the study design, which includes rationale, objectives, methodology and major research questions, is provided in Section 3. Section 4 contains the analysis of the field survey findings under four broad headings: 'Institutional and Governance Aspects'; 'State of Finance and Financial Management'; 'Citizens' Perceptions about Municipalities and City Corporations'; and 'Policy Perspectives on Finance for Municipalities and City Corporations'. Concluding observations are offered in Section 5. An Annex containing the data and information used for sampling is included at the end of the paper.

2. CONCEPTUAL FRAMEWORK

2.1 Fiscal Decentralisation: Theoretical Underpinnings

Generally speaking, decentralisation is a government policy process that transfers responsibilities, resources and/or authority from higher to lower levels of government. Decentralised governance, if carefully planned, effectively implemented and appropriately managed, leads to significant improvements in welfare service delivery through local government administration (Abdulwaheed and Samihah 2012). Types of decentralisation include fiscal, administrative, institutional, economic and political decentralisation. This paper focuses on fiscal decentralisation, given its increasing importance in local governance.

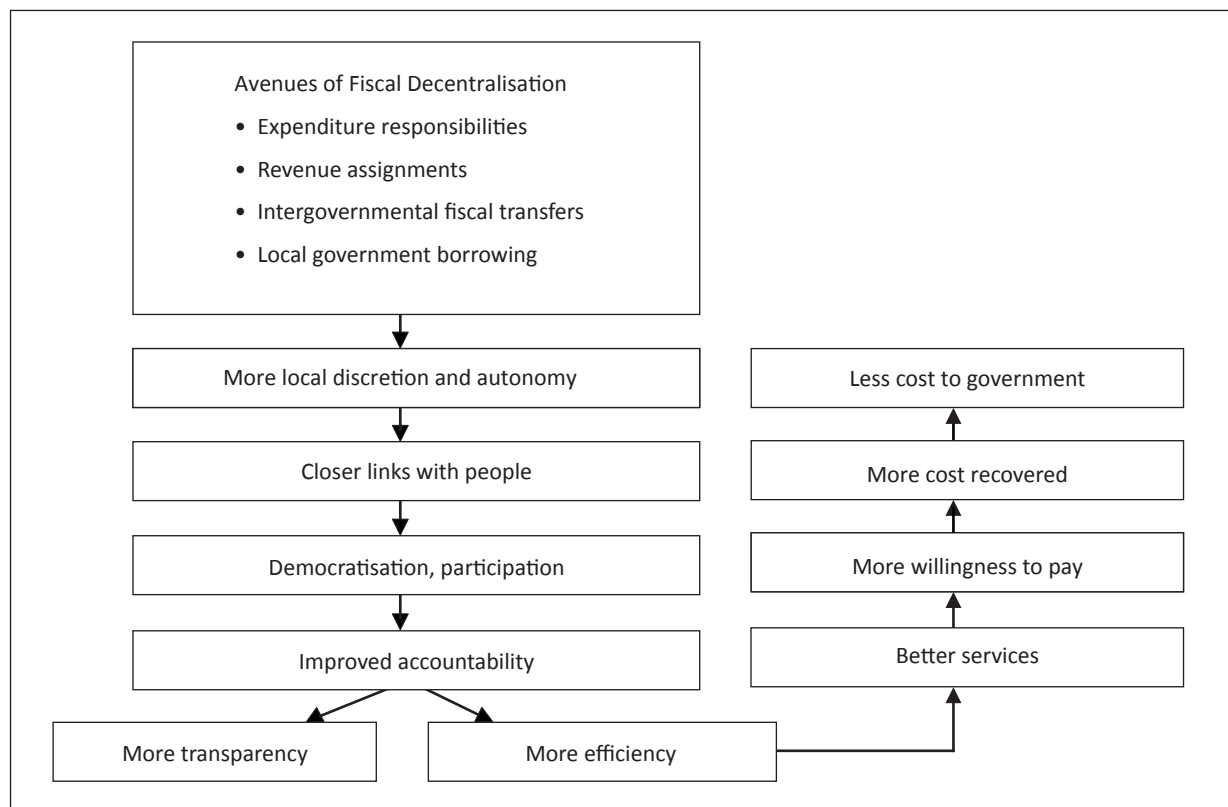
Recent years have seen increased global interest in fiscal decentralisation. Developed countries are reshaping their intergovernmental fiscal structures to be more in tune with the realities of the 'post-welfare state' (Bennett 1990; Wildasin 1997). Countries in transition in Eastern and Central Europe are busily setting up new systems of local and intergovernmental financing (Bird *et al.* 1995). Many developing countries are also turning to various forms of fiscal decentralisation in attempt to escape from the traps of ineffective and inefficient governance, macroeconomic instability and inadequate economic growth, in which so many of them have become mired (Bird and Vaillancourt 1998).

Fiscal decentralisation comprises the devolution of financial governance to regional and local governments. Alternative descriptions such as 'central-local (or intergovernmental) financial relations' and 'fiscal federalism' are often used by European and American scholars, respectively (Davey and Péteri 1998). Fiscal decentralisation covers two inter-related issues. The first is the division of spending responsibilities and revenue sources between levels of government (national, regional, local). The second is the amount of discretion given to regional and local governments to determine their expenditures and revenues in aggregate and detail. Both issues have significant impacts on the reality of decentralisation in its broader political and administrative sense. According to Davey and Péteri (1998), the extent of power and responsibility that regional and local governments actually exercise depends on:

- a. which public services they have the responsibility to finance;
- b. whether their revenues are commensurate with responsibilities;
- c. how much real choice they have in allocating their budgets to individual services; and
- d. whether they can determine the rates of their taxes and fees (both allowing them to vary their levels of spending and making them answerable to payers).

Fiscal decentralisation essentially sets the framework of expenditures, revenues and legal discretion within which regional and local governments operate. Such a framework deals with important issues

Figure 2: How does Fiscal Decentralisation Help?



Source: Based on Smith (2001).

such as processes of budgeting, accounting, delegation, procurement and auditing, among others, by which regional and local governments manage their financial affairs (Blair 1993). Figure 2 presents various functional aspects of fiscal decentralisation.

Scholars have identified four pillars of fiscal decentralisation (Smoke 2003; Bahl and Martinez-Vazquez 2006; Boschmann 2009). As outlined by Smoke (2001), these are:

1. Expenditure responsibilities: Expenditure responsibilities and functions of each level of government have to be defined.
2. Revenue assignments (including tax sources): Once local governments are assigned certain expenditure responsibilities, tax or non-tax revenue sources will be made available to local governments in order to provide them with resources.
3. Intergovernmental fiscal transfers: Central governments may provide regional and local governments with additional resources through a system of intergovernmental fiscal transfers or grants.
4. Sub-national borrowing: Sub-national government's failure to balance its annual expenditures with revenues and transfers will result in sub-national deficits and the incurrence of debt through borrowing.

Fiscal decentralisation is inevitably a dynamic process. Although local government's responsibilities and revenue sources may be fixed by law, demands on their services and the value of their revenues respond to social and economic changes over which lower levels of government have little control. It is essential to maintain channels of consultation between the central government and local governments so that

Table 2: Different Levels of Fiscal Decentralisation

Index	Desirable Feature	Second Best	Least Desirable
Representation	Popular election of executive and legislative branches	Indirect election (part elected and part appointed)	Appointment by higher-level government
Expenditure discretion	Significant control over how money is spent	Autonomy with significant limits, expenditure mandates and minimum requirements	Effectively a spending agent of the higher-level government
Budget	Local approval, hard budget constraints	Local approval, soft budget constraints	Central approval, soft budget constraints
Revenue	Significant local power: discretion to change rates in a closed list of taxes	Some local power: discretion to choose tax bases, introduce new taxes	No local revenue-raising power and full reliance on revenue sharing
Intergovernmental transfers	Unconditional and formula-driven	Conditional and formula-driven	Ad hoc and discretionary
Borrowing powers	Broad borrowing powers	Restricted borrowing powers	No borrowing powers
Human resources	Local power to hire, fire and determine compensation and promotion	Local power to hire and fire, but are unable to determine compensation and promotion	No power to hire, fire or determine compensation and promotion

Source: Based on Bahl and Martinez-Vazquez (2006).

adjustments can be made in timely and equitable ways, usually through the equalisation formula (Bird and Vaillancourt 1998). Table 2 exhibits the different choices for fiscal decentralisation.

Intergovernmental fiscal relations can be seen as a system and all the pieces in this system must fit together. Ideally, the implementation of a decentralisation programme should begin with the design of a comprehensive system and a plan for each element of the system (Crook 2003). Fiscal decentralisation involves a lot more than what are traditionally thought of as fiscal issues. In fact, the electoral system, the civil service and other institutional arrangements are arguably as important to assuring the success of fiscal decentralisation as are the taxing and spending elements. ‘One-off’ piecemeal reform that addresses only one element of the system (for example, central government revenue sharing with local governments) is unlikely to fully capture the benefits of decentralisation. Instead, it can lead to undesirable outcomes, including larger central government deficits and macroeconomic instability (Bahl and Linn 1994).

There are several elements that fit together in a comprehensive plan for fiscal decentralisation (Elhiraika 2007). Managerial control is an important part of local autonomy and has crucial implications for local budgets. Local governments need to allocate staff to areas where needs are greatest and hold staff accountable for their performance. Otherwise elected local governments cannot be held fully accountable for the quality of services that they deliver (Tanzi 2001). Likewise, local government’s financial management requires control over the wage bill of local government employees. Countries vary widely in the extent to which expenditure autonomy is extended to control over local government employees (Evans and Manning 2004). Indian state governments have significant autonomy in this respect, but do not extend this autonomy to local governments. Similarly, public employment policy in Pakistan remains lodged at the provincial level. In Mexico, the central government still determines (or negotiates) the compensation rates for all government employees. Central determination of compensation is also the case in Uganda (Shah 2004).

Critical elements of fiscal decentralisation are briefly outlined below, namely expenditure autonomy, revenue autonomy, human resources-related autonomy, accountability and local discretion.

Expenditure Autonomy

Local governments should have significant control over their expenditure responsibilities, which results in production efficiency, and a responsibility to deliver essential services to local communities, resulting in allocative efficiency. If central mandates – direct or indirect – on local budget choices rule the day, it is unlikely that efficiency gains from decentralisation will be realised (Bahl 1999). Local government discretion is often limited in several ways, including minimum expenditure requirements, unfunded mandates, conditional grants and higher-level government determination of hiring/firing and compensation of local employees (Martinez-Vasquez 2011). In the context of Bangladesh, expenditure responsibilities that have been granted to elected local governments are relatively narrow, at least by comparison with responsibilities held by local governments in many other parts of the world. Bangladesh's local governments have little responsibility for primary and secondary education, fire protection and primary healthcare, among other policy areas. Responsibilities for services are much broader at the municipality, upazila parishad and city corporation level in a decentralised context. Yet, ministry staffs who work in offices at these levels, rather than local government officials, deliver services on behalf of their respective ministries. Low resource levels and limited institutional capacities significantly hamper the delivery of services by local governments (Fox and Menon 2008).

Revenue Autonomy

Local governments should be given some revenue autonomy if there are to be hard budget constraints imposed on them (Smoke 2001). This means that a decentralisation programme must include provisions for local governments to gain the power to choose the rates of their taxes and fees, and where appropriate, to access capital markets for financing of long-term infrastructures. It is also important that local governments receive intergovernmental transfers that give them the discretion to choose the mix of their public expenditures. Unconditional grants and block grants can provide such discretion, whereas tightly earmarked transfers do not (Bird 2000). Unless local government decision makers have the freedom to decide on the use of resources, they will not be held fully accountable by local voters for the outcomes of public spending.

In Bangladesh, local government's revenue generation is poor because they have little control over their tax and fee rates. As a result, local governments heavily depend on transfers from the central government. The narrow tax base and inefficiency in the tax collection process are perceived to be the major constraints on this front. Still, of all sources for local government revenue, taxes are key for local governments in Bangladesh. At present, there are two different ways of collecting local taxes and fees: by local governments themselves and by the central government on their behalf. In the latter case, the central government shares a portion of the revenue collected in relevant jurisdictions with the concerned local government. But local governments in Bangladesh in general have efficiency in tax collection. Local government explanations tend to be that people cannot afford to pay taxes, but this may be evidence of low political will and excuses for poor management (Fox and Menon 2008). Due to poor collection of taxes and insufficient grants received from the central government, local governments cannot undertake and execute as many development projects as they would like, and cannot provide basic services to local communities.

Human Resources-related Autonomy

It is important that local governments have control over employees who deliver services in local communities (Boex 2009). Such control over human resources is an essential component of fiscal decentralisation policy. Local councils might be held fully accountable for the efficiency of local government employees. If they are to remain under the control of higher-level governments, or if the powers to hire, fire, promote and

determination of compensation are vested in a higher-level government, then local councils are relatively powerless to affect changes in the quality of local public services (Boex 2009). Perhaps more important is the question of who controls the local government employees and pays their compensation.

Since compensation decisions in many countries are made by higher-level governments, the local governments often have very little control over their human resource management (Bird 2000).

In Bangladesh, the lack of skilled human resources is a factor that is affecting the performance of local governments. Local governments 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 staff 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. An approval from the Local Government Division 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 has a chief executive officer seconded from the central civil service (UNESCAP 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.

Accountability

Accountability to local voters is perhaps the most crucial element of a decentralised system, the one that ties together all the other elements (Boex 2009). Local councils should be locally elected, preferably by vote of the local population. If the local leadership is appointed by higher levels of government, its accountability will likely be not to the local population. The efficiency gains that are at the heart of fiscal decentralisation strategies will not be realised if local voters do not have a voice in making budget decisions. There are other problems with not providing for accountability to local voters. For instance, governing local councils will not be pressured to provide better services in exchange for the chance of re-election (Boex 2009).

Accountability generally has two dimensions: government employees being accountable to the elected representatives, and elected representatives being accountable to the public. In Bangladesh, no serious attempt has been made by the central government to enhance accountability. The mechanisms for holding local governments accountable appeared to be very weak. Elections of *parishad* (council) members and chairmen for union parishads, upazila parishads, district councils and municipalities are the most positive means of achieving accountability to local population. However, the inability of politically elected officials to hire and control their staff lessens accountability and responsiveness to local demands. Compared to locally hired and controlled staff, appointed officials have weaker linkages to local population and are less accountable and responsive. The separation between local political leaders and civil service officials allows each to blame the other for service delivery failures, making it difficult for population to know whom to hold accountable (Fox and Menon 2008). Relations between

elected representatives and government officials have become strained because of an unclear allocation of authority. Local governments are subject to strong control from higher-level governments, especially from the central government, which further weakens the accountability chain.

Local Discretion

Local government's level of responsibility and resource mobilisation make a substantial difference to their discretion – their ability to make decisions about the nature and levels of public services. For example, a local government should have the ability to determine its level of expenditure if it obtains a significant proportion of its revenue from local taxes and fees, the rates of which it can adjust. Revenue sharing and block grants tend to provide more freedom of allocation than targeted grants (Bird and Vaillancourt 1998).

In practice, local government discretion depends on a more complex set of factors. Shares of a buoyant national tax may support more budgetary choice than dependence on a politically sensitive and administratively burdensome local tax sources. Targeted grants may release local government funds for other expenditures. Expenditure decisions may be largely determined by national regulations rather than service requirements.

The classic argument for maximising local government discretion has been made in the fiscal federalism literature mostly associated with Oates (1977). He argues that the greatest efficiency is achieved when budgetary decisions are made by local officials elected by local people who have to meet the full cost of their decisions through local taxes.

In Bangladesh, there is heavy centralisation in terms of the relative size and independence of local governments. Local governments enjoy very limited decision making autonomy, which is evidenced on both the expenditure and revenue sides of their budgets. Local Government Division must approve annual local government budgets (Fox and Menon 2008). Generally, higher-level governments must also approve projects before they can be implemented. Tax and fee rates are set by the central government. Local government discretion is minimal, which limits operational jurisdictions and the autonomy of local government institutions as a whole, and creates role ambiguity among different levels of government. Additionally, the decision making power of local government is subject to central control. The central government oversees expenditure decisions and grant allocations to local government institutions, which restricts local governments from enjoying functional autonomy.

Using the conceptual framework laid out above, this paper now makes a brief assessment of decentralisation in general, and fiscal decentralisation in particular, in the context of Bangladesh.

2.2 Local Government in Bangladesh: Current Status

The local government structure in Bangladesh consists of multiple layers of local governments largely coordinating with the central government. In rural areas, two levels of local government exist, but unlike in urban areas these are hierarchical in nature. There are 487 upazila parishads. As with district councils, many ministries have offices at the upazila level. Union parishads are the second level of local government in rural areas. In October 2013, there were 4,556 union parishads, but the number changes frequently. Local government institutions in urban areas include municipalities (*pourashavas*) and city corporations. There are 10 city corporations, each having been established through a separate ordinance. City corporations have directly elected mayors and councillors. Municipalities are the second level of local government in urban areas. There are 321 municipalities as of October 2013.

There are three categories of municipalities – A, B and C – that depend on the amount of revenue generated. Union parishads, municipalities and city corporations have elected bodies composed of one chairperson or mayor, one representative from each ward and female members from reserved wards. Union parishad chairmen and city corporation and municipal mayors are directly elected by popular vote of the entire constituency while the union parishad members and councillors are elected by their respective constituencies. In addition, there are seats reserved for women (Fox and Menon 2008).

Local governments in Bangladesh continue to have poor records of being efficient, accountable and responsive providers of public services to local communities. The extent of fiscal powers accorded to various tiers of local government is very limited. The local government structure is complex and deconcentrated rather than devolved. The number of local government tiers is high compared to international standards. From a fiscal perspective, Bangladesh can be considered as a highly centralised state (Fox and Menon 2008). No macro-level clarity is found regarding the aggregate amount of resources available to different tiers of local government institutions. Each local government tier generally has a long list of potential revenue instruments, including various taxes, fees and other income sources. In practice, however, many of these generate only little revenue. Local governments tend to depend heavily on central government transfers. This, to an extent, forces the local government institutions to compromise on their autonomy.

Municipalities and city corporations occupy an important place in the local government structure in Bangladesh. Rapid population growth in the country and other pull factors such as better civic amenities, job opportunities and improved quality of life have resulted in an acceleration of migration from rural to urban areas. In Bangladesh, municipalities and city corporations act as the principal administrative units for urban areas. One wonders to what extent these institutions will be successful as vehicles of decentralised urbanisation.

2.3 Fiscal Decentralisation: Where does Bangladesh Stand?

By most standard measures of fiscal decentralisation, such as total local government expenditure as a share of total public expenditure, Bangladesh lags behind many Asian and African countries having relatively longer tradition of local government. For example, total annual local government expenditure as a percentage of gross domestic products has hardly crossed more than 3 per cent in Bangladesh (Fox and Menon 2008). As a matter of fact, the local government financial system in Bangladesh is one of the most centralised in the world. Total annual local government expenditure as a percentage of total consolidated government expenditure is estimated to be in the range of 2-3 per cent on an average. Comparable figures for Indonesia or South Africa, two countries that decentralised within the past 20 years, are 34 per cent and 52 per cent, respectively (Das n.d.). On the revenue side, most major tax bases in Bangladesh remain under the control of the central government. While own source revenue potential varies vertically across different levels as well as horizontally across different institutions at each level, less than 2 per cent of total government revenue is collected at local levels, again placing Bangladesh at the lowest end internationally (Das n.d.).

In Bangladesh, the central government is responsible for making a major annual fiscal transfer to the local governments in terms of block grants under the Annual Development Programme (ADP). In fact, ADP funds the development budget of the central government which is financed by the surplus revenue budget, domestic borrowing, external borrowing and aid from donor agencies. The transfers through the ADP are segmented into four major expenditure classifications: sector/programme allocation, block allocation, self-financed allocation and food assistance (Fox and Menon 2008).

Of these, the block allocations fund the local government block grants. A large share of ADP allocations supports vertically-driven sector programmes that are implemented directly by ministries and their subordinate agencies. Only a small share of allocations is channelled through block allocations, of which a smaller share actually translates into transfers to local governments (Fox and Menon 2008).

Generally, a negligible portion of the national budget is directly spent by local government institutions. For instance, Table 3 shows that the allocated percentage for local government institutions remained between 2 per cent and 4 per cent of the ADP in fiscal years 2004-05 to 2009-10.

Table 3: Amount Allocated to Local Government Institutions from the Development Budget of the Local Government Division

Fiscal Year	Total Amount Allocated (Core Tk.)	Allocated Amount as % of ADP
2004-05	470	2.29
2005-06	520	2.48
2006-07	690	3.19
2007-08	851	3.78
2008-09	450	1.96
2009-10	715	2.34

Source: Local Government Division, Government of Bangladesh.

The block grant is the major source of revenue for local government institutions in Bangladesh. All local government institutions have their own sources of revenue. However, these institutions generally either have low revenue mobilisation capacities or unwillingness to mobilise revenues for fear of political backlash. Given this, they can generate only a small amount of revenue from own sources relative to their needs, which leaves these institutions in constant shortage of funds. For the local government institutions, the major own sources of revenue include taxes, rates, fees and charges imposed by them. Besides, they also receive rents and profits from leased out properties and assets owned by them, and also the sums received by way of providing different types of services. Non-tax revenue sources, although not very common, include contributions from private individuals or entities, grants received from the government, rents and profits received from investments, receipts from charitable trusts placed with local government institutions, loans secured by local government institutions, and proceeds from different services being provided by local government institutions (UNESCAP 1999). It is to be noted that holding taxes are the most important source of revenue for local government institutions. In urban areas, local governments can raise on an average 40-50 per cent of their revenue from own sources, but a significant part of their revenue still comes from government grants (UNESCAP 1999). Table 4 outlines the sub-components of local government's key revenue sources.

In addition to the main fund allocated by the central government, local governments receive additional assistance through other means as well. These include union parishads receiving grants in grains for programmes and schemes such as Test Relief (now known as Rural Infrastructure Maintenance Program), Food for Works, Vulnerable Group Development, Vulnerable Group Feeding and pensions/allowances for widows and *Muktijodhha* (Freedom Fighter) in cash. These grants are generally used for small-scale local infrastructure development projects. However, it must be mentioned that union parishads do not enjoy any discretion over these allocations made by the central government. Similarly, municipalities and city corporations also receive such grants for infrastructure development, but these funds are mostly set aside for particular development projects funded by either donors or the central government. It is to be noted that these fund allocations are made with respect to particular areas rather than specific to local government institutions (Fox and Menon 2008).

Table 4: Sources of Municipal Revenue in Bangladesh

Source	Sub-Components
Property tax	Property tax on annual value of buildings and lands
	Conservancy rate
	Water rate (except Dhaka and Chittagong)
	Lighting rate
Shared property tax	Surcharge on the transfer of property ownership
Other taxes	Tax on professions, trades and callings
	Tax on vehicles and animals
	Tax on cinema, drama and other entertainments
	Tolls and minor taxes (on advertisement, marriage, etc.)
Non-tax sources	Fees and fines
	Rents and profits from property
	Other sources
Loans	Internal, from banks, etc.
	International agencies
Government grants	Salary compensation grants
	Octroi compensation grants
	Normal development grants
	Special grants

Source: Chowdhury (1997) cited in UNESCAP (1999).

Over the years, a broad consensus has emerged in Bangladesh regarding the need to strengthen the local government system to accelerate the country's inclusive development process. It is widely recognised that strengthening local government is critical to bringing the state closer to the people, enhancing its accountability to citizens and moving the country away from the 'winner-takes-all' politics of centralised governance. Notwithstanding this broad-based appreciation of the role of local government, little progress has been made in this regard in the recent past. Despite their long history and constitutional status, local governments continue to have records of being inefficient, unaccountable and unresponsive to needs of the local communities. Vigorous threads of dialogues prolong among policymakers and the civil society of the nation as to how Bangladesh can make the transition from the overly centralised state to a more devolved entity where control will stream through the hierarchy from the peak to the troughs of the grassroots. Over the decades, the local government system in Bangladesh has been more an area of policy experimentation than one of stable institutional development. Decentralisation-related policy reforms have been an important agenda item of all successive governments. Various committees were set up, recommendations were made, and it was witnessed that most governments were half-hearted on the implementation front. Therefore, the country is still chasing the mirage of the truly capable and accountable local governments fully committed to local communities, their needs and priorities (Fox and Menon 2008).

Under the existing system, the higher level authority in general and central government in particular, tends to establish full control over the local governments. Notably, in case of union parishads – earlier there existed a mechanism of dual control and supervision used and exercised by the upazila parishads and the central government in its affairs. However, currently the central government alone tends to exert a higher degree of control over the union parishads. In the case of upazila parishads and municipalities, the central government tends to exercise similar control. Besides, the local governments are currently subject to control in various matters. For instance:

- The central government has the full control over enactment of legislation on local governments. The central government frames detailed rules relating to conduct of elections, business, authority and responsibilities of elected representatives. Besides, the central government also formulates detailed rules as to how the local institution'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 matter and employment-related rules for the local government institutions. In some rare cases, when local governments make rules, these cannot be put into effect without prior approval from the central government.
- The size and boundaries of a local government's jurisdiction get determined by the central government.
- The central government dictates the terms of determining the structure and composition of local governments.
- The central government controls the human resource arrangement of local institutions such as the appointment of officials including the chief executive officer in city corporations.
- Additionally, the central government can impose new functions on local institutions.
- Unraveling disputes between the institutions within the local government's jurisdictions is also the responsibility of the central government.
- Central government stringently administers the financial issues on its own. In addition to central government's supervision and control over local institutions, it can exert control through reductions or additions to fund allocation of local institutions.
- The severe assertion of supervising power of central government over local institutions allow the provision of ordering an inquiry into the transactions of a local government institution in general, or a specific issue questioned randomly by itself or as a follow-up of a formal complaint lodged by an individual.
- Furthermore, the central government has the extended power to dissolve a local government institution on charges of gross inefficiency, abuse of power or inability to meet financial obligations.

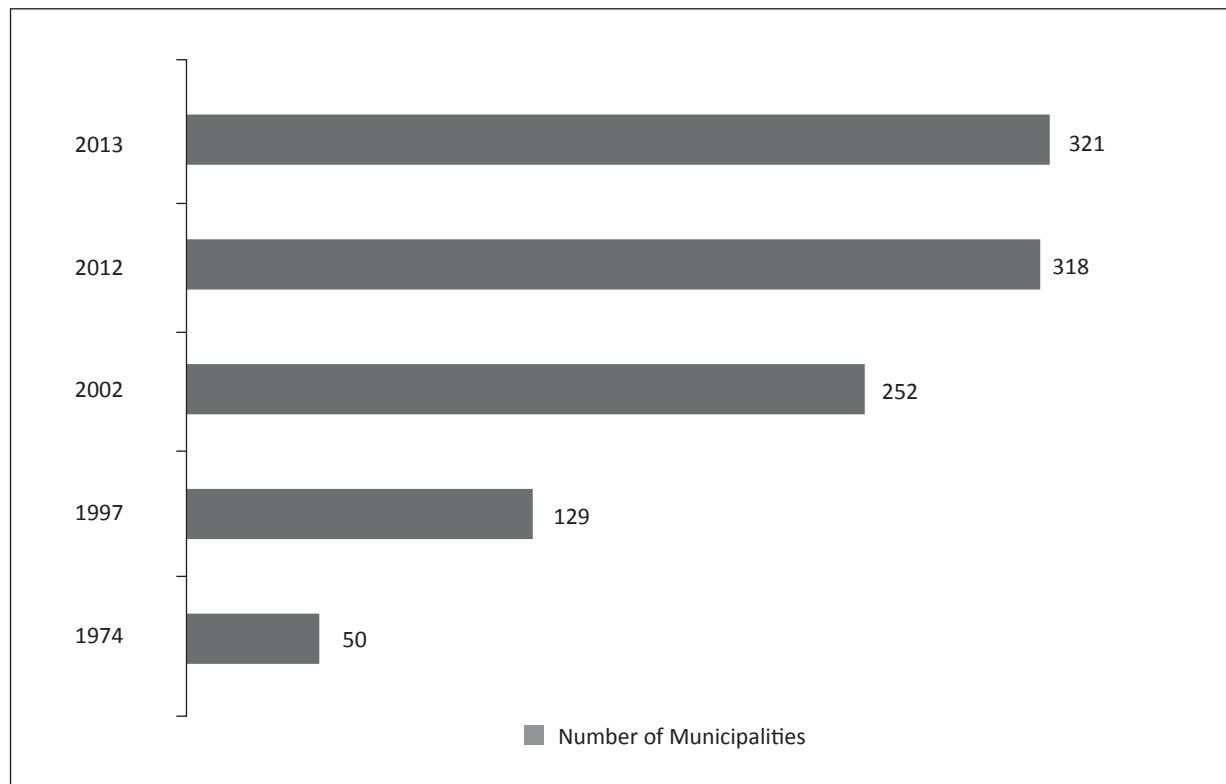
Thus, the current local government system is evidently under heavy control of the central government. Local government institutions, both rural and urban, significantly lack autonomy (UNESCAP 1999).

Local governments generally lack operational capacity. The capacity to provide services results from a combination of the skill levels of public employees, adequacy of local resources, and willingness and commitment of local government institutions and their employees. Budget resources are scarce in Bangladesh. Budget pressures tend to postpone actions that can most readily be postponed, especially when there are large cost consequences. Local governments routinely defer maintenance of facilities, which erodes their service delivery capacity.

3. DESIGN OF THE STUDY

3.1 Rationale

In Bangladesh, the number of people moving to live in urban areas has been significantly increasing each year since independence. Many new municipalities have been constituted over the past few decades, as is evident in Figure 3. Subsequently, citizens' demands for effective public services from their local governments have also substantially increased over time.

Figure 3: Growth of Municipalities in Bangladesh

Source: Local Government Division, Government of Bangladesh.

Generally, data and information on local governments and local government finances in Bangladesh are scant. Even within relevant ministries, such as the Ministry of Local Government, Rural Development and Co-operatives and Ministry of Finance, there is little information beyond aggregate budget figures and broad outlays. Many writings on union parishads exist, but no study by national or foreign researchers has ever focused on municipalities and city corporations exclusively. These realisations led to the conception of this paper. This study is essentially based on primary data gathered from nine sampled municipalities and two city corporations, and combining these with whatever secondary sources' materials are available on the topic.

In its review of the challenges faced by municipalities and city corporations, this paper remains sensitive to the fact that these local government institutions vary greatly in terms of size (population and area), duration of existence, location in the national production network, infrastructure development and institutional capacity. Notably, successive central governments created new municipalities without taking into account their financial and institutional viability as local government institutions. In many cases, union parishads were turned into municipalities upon political considerations. Many then failed to provide the expected services. Regardless, local tax rates increased, which led to great dissatisfaction among municipal population in general, and the urban poor in particular.

In several municipalities, the situation is such that people have been in favour of reverting to a union parishad. As a matter of fact, a municipality or city corporation can be financially and operationally viable only when it has the financial means and functional authority to support the social and economic development goals of its citizens through planning and the equitable, sustainable provision of services. A financially and operationally viable municipality or city corporation should involve:

- An efficient, cost-effective organisational structure built around key business processes and objectives.
- Administrative procedures that are efficient and well-documented, and provide understandable, accurate information to key stakeholders and decision makers, both within and outside the government.
- Local revenue sources that are robust and diversified, and that create rational incentives for the use of public services.
- A system of internal and external controls that minimises opportunities for corruption and encourages a culture of transparency and accountability.
- Public services that are provided using a model of commercial viability that controls expenses, mobilises adequate resources directly from users and makes subsidies transparent.
- Mechanisms that are regularly employed to involve citizens in defining goals for the development of municipalities and determining the levels and quality of services and provide feedback to the government entity on citizens' satisfaction.

Efficient, effective local governments are necessary for successful accelerated urban development. The activities of municipality and city corporation authorities lack transparency and accountability. In the absence of proper monitoring, people have no idea about the budget allocation system, implementation and maintenance of development activities and income and expenditures of municipalities and city corporations. This paper addresses such issues and more.

3.2 Objectives

The study has the following objectives:

- To update the state of knowledge on contemporary local government issues in general, and local government finance in particular, in the context of Bangladesh.
- To assess the nature and extent of devolution of fiscal and financial powers.
- To map the flow of revenues and expenditure composition of municipalities and city corporations.
- To examine the existing mechanisms of accountability for municipalities and city corporations in general, and those of financial accountability in particular.

3.3 Methodology

In order to achieve the above mentioned objectives, the following methodology was adopted:

- Conceptualisation: Preparation of the concept note
- Desk research: Literature review
- Expert group meeting
- Design of survey
- Field tests using the survey (carried out between December 2012 and March 2013)
- Focus group discussions
- Validation through expert group workshop

3.4 Sample

The stratified sampling technique was used to select at least one municipality from each division. The study covers a municipality that became a city corporation, at least one municipality far away from the

capital Dhaka, a relatively newly established municipality that has been able to significantly increase its own source revenue, a long-established, populous municipality that struggles to generate own source revenue, and category A, B, and C municipalities.

The study also covers two city corporations – one newly established (Narayanganj City Corporation) and the other one is relatively old (Khulna City Corporation). The other criteria followed in selecting the city corporations was their relative distance from the capital – one is closed to Dhaka (Narayanganj), and the other is located far away from the capital (Khulna).

The salient features of selected municipalities and city corporations are presented in Tables 5 and 6, respectively. Survey respondents' attributions are presented in Table 7.

Table 5: Sample Municipalities and Rationale for Sampling

Municipality	Division	Category	Year of Establishment	Total Population ^a	Rationale
Arani	Rajshahi	B	2006	28,300	During the period of 2005-2012, a total of 28 municipalities were established; out of which only two are still in category B. These are Arani and Belkuchi with a total population of 28,300, and 75,364 respectively. Both were established in 2006, but Arani was chosen as it moved from category C to B within a shorter span of time and has a smaller population size
Bajitpur	Dhaka	B	1869	34,898	Before 1947, there were 31 municipalities. Out of those, 29 belong to category A currently, and two municipalities namely Bajitpur and Gouripur still belong to category B. Bajitpur was chosen as it is older than Gouripur and has a relatively large population
Dhunat	Rajshahi	C	2001	15,575	Between 2000 and 2012, a total of 28 municipalities (with population size ranging between 15,000 and 25,000) were established. Out of those, nine municipalities are currently in category B and one municipality has moved from category B to category A with less population than Dhunat. Dhunat was chosen as it was in category C
Haragach	Rangpur	C	1989	61,425	At present, nine municipalities of Rangpur Division are in category C. Among them, Haragach is the oldest and has the largest population (61,425)
Kasba	Chittagong	C	1999	40,416	There are 130 municipalities with population ranging between 25,000 and 50,000, out of which 30 are in category C. Established in 1999 and with a population of 40,416, Kasba is one of the municipalities in that category
Kumarkhali	Khulna	A	1869	29,000	Out of the municipalities established before 1900, a total of 25 municipalities moved to category A. Kumarkhali belongs to this category which is having the least

(Table 5. contd.)

(Table 5. contd.)

Municipality	Division	Category	Year of Establishment	Total Population	Rationale
					population. Also under the population range (25001-50000), 42 municipalities moved to category A – in which Kumarkhali is the one having the relatively less population
Mathbaria	Barisal	A	1993	18,375 ^b	In the Barisal Division, there are 11 municipalities having the status of category A. Among these, Mathbaria has moved to category A from category B within a relatively short span of time
Nabiganj	Sylhet	B	1997	30,286	Established in 1997 and having a population of 30,286, Nabiganj is in category B. On the other hand, Madhabpur is a neighbouring municipality which was established in the same year as Nabiganj and even having relatively small size of population (21,930) has already been upgraded to category A
Tarabo	Dhaka	B	2002	64,875 ^c	Tarabo was established only in 2002. Compared to other municipalities established around the same time, Tarabo has progressed quickly from category C to B. Now it is being considered for a further upgradation

Source: Local Government Division, Government of Bangladesh; and also information collected from municipalities.

Note: ^aBBS (2012); and also information collected from municipalities.

^bThe figure is as of 2011 Population Census, but as per the data collected by the EPI workers of municipalities the number of population is about 46,000.

^cAs of 2001.

Table 6: Sample City Corporations and Rationale for Sampling

City Corporation	Division	Year of Establishment	Total Population	Rationale
Khulna	Khulna	1984	1,050,000	Relatively old
Narayanganj	Dhaka	2011	729,000	Newly established

Source: Local Government Division, Government of Bangladesh; and also information collected from city corporations.

Table 7: Broad Profile of Survey Respondents

Type of Respondents	Number of Respondents	Comments
Municipality and city corporation mayor	11	One from each sampled municipality/city corporation
Chief executive officer	2	One from each sampled city corporation
Municipality secretary	9	One from each sampled municipality
Female councillor	22	Two from each sampled municipality/city corporation
Male councillor	22	Two from each sampled municipality/city corporation
Accounts officer/tax collector	11	One from each sampled municipality/city corporation
Citizens	110	Ten from each sampled municipality/city corporation

Source: Authors' elaboration.

3.5 Major Research Questions

The major research questions of this study are as follows:

1. Do municipalities have adequate legal frameworks, human capacity and financial resources to carry out their mandated functions?
2. How much autonomy do municipalities enjoy in fiscal, financial and personnel management?
3. What are the factors that impede devolution of fiscal powers to municipalities?
4. What are the factors affecting upstream and downstream accountability of municipalities?

4. ANALYSIS OF FIELD SURVEY FINDINGS

4.1 Institutional and Governance Aspects

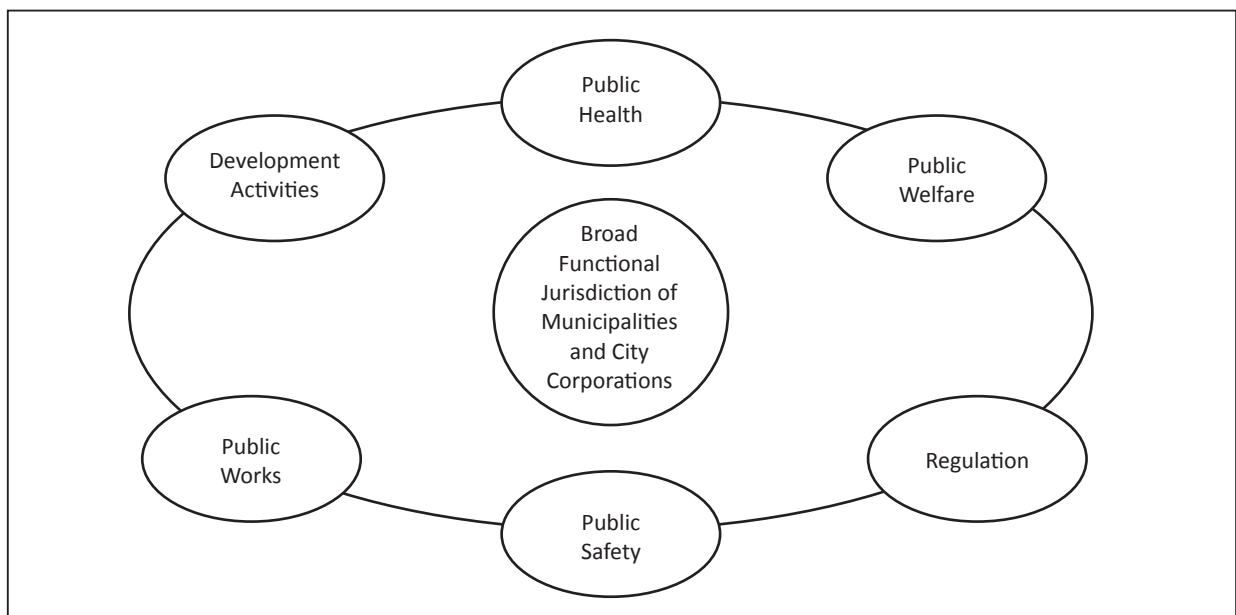
4.1.1 Functions of Urban Local Government Institutions in Bangladesh

Municipalities and city corporations in Bangladesh are vested with a long list of functions delegated to them by the central government under the *Municipality (Pourashava) and City Corporation Act, 2009*.

As Figure 4 shows, the functions broadly relate to:

- Public health (water supply, sewerage and sanitation, etc.)
- Public welfare (public facilities for education, recreation, etc.)
- Regulation (enforcing building by laws, encroachments on public land, etc.)
- Public safety (fire protection, street lighting, etc.)
- Public works (construction and maintenance of roads, culverts and drainage systems, etc.)
- Development activities (town planning and development of commercial markets, etc.)

Figure 4: Functional Jurisdiction of Urban Local Government Institutions



Source: Local Government Division, Government of Bangladesh.

Municipalities and city corporations are statutorily responsible for the provision and maintenance of basic services and infrastructure in cities and towns. Some municipalities are presently facing difficult situations where the demand for services has been rising due to urbanisation, but on the supply-side, the local resource base has been declining.

4.1.2 Human Resource Management

Autonomy on Recruitment and Control over Officials

As far as the recruitment and appointment of personnel is concerned, municipalities 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. 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. Notably, members of parliament and district commissioners have informally influenced the recruitment process in the cases of eight out of nine (88.9 per cent) sampled municipalities. Out of 11 sampled municipalities and city corporations, six (54.5 per cent) were reportedly overstaffed and four (36.3 per cent) were understaffed. In one of the sampled city corporations, 600 employees were working on master roll and the total annual salaries amounted to Tk. 18 crore which represented about 28.46 per cent of the actual budget (Tk. 63,23,91,577) of the Narayanganj City Corporation in 2011-12, and 13.16 per cent of the actual budget (Tk. 136,72,92,352) of the Khulna City Corporation in 2010-11.

Out of nine sampled municipalities, three were significantly understaffed, not having at least one or more important officials such as a secretary, an accountant, tax collectors or tax assessors.

Capacity Building

Training is not given much importance in any of the sampled municipalities or city corporations. It was found out that only the mayors received short orientation training upon taking office, and only a small number of councillors received capacity development training. A limited number of initiatives were found to have taken by the municipalities and the city corporations to improve administrative capacities through training of tax assessors and other personnel responsible for the collection of taxes. Only in two out of nine (22.2 per cent) sampled municipalities officials attended training programmes, and in those cases they did not find them to be useful or relevant to their needs. The central government permits municipalities to sack any employee for poor or unsatisfactory performance. A mayor can exercise his or her authority to fire employees recruited by the municipality that he or she leads, but this has not yet been done in any of the sampled municipalities or city corporations. The survey revealed that seven out of nine (78 per cent) sampled municipalities were experiencing elevated fiscal stress in attempts to operate and maintain existing services at satisfactory levels.

4.1.3 Level of Awareness and Involvement of Elected Representatives

Twenty nine out of 36 (80 per cent) surveyed municipal councillors appeared to be largely unaware of important municipal affairs and developments. They did not even appear to be aware of their rights and obligations. The councillors of city corporations were found to be more informed and aware of their rights and obligations than councillors of municipalities. Surveyed female councillors of municipalities and city corporations alike were found to have little knowledge about local government affairs and their rights and responsibilities. Twenty out of 22 (91 per cent) surveyed female councillors of municipalities indicated that their voices were not generally heard. They were sometimes not officially informed about different

municipal events, and even when informed, they were generally not informed in advance. In extreme cases in some sampled municipalities and city corporations, female councillors were not even informed about the regular monthly meetings. When asked why they did not bring this issue to the monthly meeting, several female councillors said that “such issues are discussed in the meetings. Promises are made not to make such mistakes again. But they know these are empty promises. No one monitors anything, so nothing changes.” Surveyed female councillors of municipalities and city corporations also pointed out that how well one is treated by mayors depends on one’s political affiliation, one’s personal relationship with a mayor, and the extent to which one accepts or endorses a mayor’s priorities and conduct.

4.1.4 Governance and Accountability

By law, municipalities are supposed to form a number of standing committees to ensure effective governance and accountability. Most sampled municipalities were found to have formed or were in the process of forming standing committees, but none had been able to make these committees operational. To ensure public oversight of development activities, greater coordination and citizens’ participation, municipalities are, by law, supposed to form ward-level coordination committees and town-level coordination committees. It was found out that in most municipalities and city corporations these committees were formed but there were no sincere attempts to make them functional. Surveyed citizens from sampled municipalities and city corporations said that in many cases their grievances had not been addressed by their elected representatives. Tables 8 and 9 show that surveyed citizens’ complains were generally not attended to by municipal and city corporation representatives. Seventy per cent of the surveyed citizens of sampled municipalities indicated that their complaints were never given adequate attention. The situation was graver in the cases of category C municipalities, where 80 per cent of surveyed citizens said that their complaints were never addressed by their representatives. Strikingly, about 72 per cent of surveyed citizens in category A municipalities expressed similar views.

Table 8: Public Representatives’ Responses to Citizens’ Complaints

Nature of Response	Percentage
Never attended complaints	69.90
Always attended complaints	30.10

Source: Based on authors’ field survey findings.

Table 9: Category-wise Variations in Public Representatives’ Responses to Citizens’ Complaints

Category of Municipalities	Never Attended Complaints (%)	Always Attended Complaints (%)
A	72.22	27.78
B	53.85	46.15
C	80.00	20.00

Source: Based on authors’ field survey findings.

4.2 State of Finance and Financial Management

4.2.1 Patterns of Urban Local Government Finance

Vested with a range of functions through acts and other administrative orders, municipalities and city corporations are constrained in discharging their obligatory functions due to limited resource bases. Their low per capita receipts do not enable them to meet the minimum standards of services. Overall, current revenues are insufficient to meet the growing needs of urban population. Improved financial management is necessary to increase efficiency in revenue collection and expenditure control.

Main sources of revenue of municipalities and city corporations include own source revenue, central government transfers, and borrowing. Each will be described in turn.

Own Source Revenue

Sources: Municipalities' and city corporations' own source revenue is made up of property-based revenue, activity-based revenue, and revenue from own property. Property-based revenue gained from taxes and rates is a major component of municipalities' and city corporations' total revenue. Taxes are imposed on residential and commercial properties, while rates are collected for providing street lighting, conservancy and water. There is a property-based tax called the immovable property transfer tax, which is collected directly by the central government at the time of property transfer. Two per cent (of the value of every deed of transfer) of this revenue is shared with municipalities and city corporations. There are several activity or benefit-based revenue sources. These include taxes on professions, trades and callings, taxes on applications for erection and re-erection of buildings, taxes on advertisement, amusement, vehicles, fees on shops and licenses, and tolls on ferries, bus stands and sand deposits.

Volume: The survey revealed that municipalities' own source revenue mobilisation is generally poor. In five out of nine (55.6 per cent) sampled municipalities, only salaries and some basic activities could be paid for with own source revenue. In two (22.2 per cent) category C municipalities' employees remained unpaid for eleven months and in another for seven months, which contributed to a great deal of frustration and low morale of these employees. Only two out of the nine (22.2 per cent) sampled municipalities – in categories A and B – managed to mobilise enough revenue to have a surplus after paying the salary bills of the employees.

Existing challenges: Focus group discussions and interviews with municipal citizens revealed that citizens were generally reluctant to pay taxes. Many citizens indicated that they were not interested in paying taxes because they did not have a clear idea as to how the collected tax money would be used. Mayors were asked why residents did not want to pay taxes. They ranked the reasons in the following order:

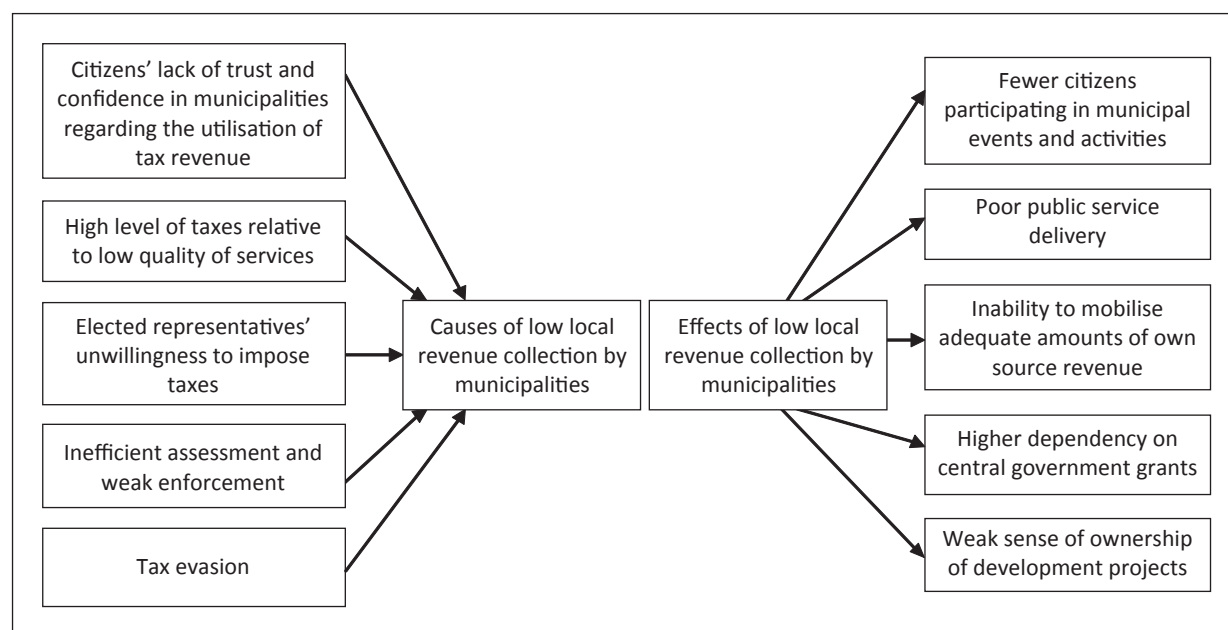
1. Residents are not used to paying taxes;
2. Low levels of income;
3. Poor quality of services delivered by the municipalities and city corporations;
4. Unwillingness of elected representatives to collect tax.

Municipal citizens indeed were found to be generally unwilling to pay taxes because they were unaccustomed to it. Many citizens were found to be apathetic about municipalities' and city corporations' affairs. Their knowledge about local government administration, services and development activities was limited. Most interviewed citizens were in agreement that municipalities and city corporations should try to engage citizens as much as possible in different activities and events. Improving communication by municipalities and city corporations would directly contribute to enhance own source revenue generation.

Revenue from holding taxes is another major component of municipalities' and city corporations' total revenue. Different stakeholders were interviewed on the subject, including elected representatives, permanent officials of municipalities and city corporations and citizens. Some general problems were identified by officials who were associated with the assessment of holding taxes. First, assessing annual rental values is at times difficult. Property taxes are levied on the basis of rateable value of a property. The rateable value is usually defined as the rental value that the property would fetch if it were rented

out. In practice, however, the rateable value is estimated not through the market mechanism but through administrative procedures. Therefore, on average only between 50 and 70 per cent of potential taxes are collected, not to mention that taxes on property continued to be plagued by the problems of narrow base, persistent undervaluation, high rates, poor collection efficiency and limits imposed on rents of properties under rent control acts. Second, assessors in general do not have complete records when additions to buildings are constructed and rental values are increased. Third, the assessment of holding taxes is often manipulated due to illicit collusion between taxpayers and assessors. Fourth, most mayors and councillors do not want a regular and objective assessment of holding taxes on the grounds of losing popularity in the process. This was identified by interviewees as one of the biggest problems that hinder regular assessment of holding taxes. Critically, a number of sampled municipalities were found to have less than required number of tax assessors, some only had a few apprentice level or unskilled tax assessors. In extreme cases, a number of sampled municipalities had no tax assessors at all. Figure 5 outlines the causes and effects of low local revenue collection by municipalities.

Figure 5: Causes and Effects of Low Local Revenue Collection by Municipalities

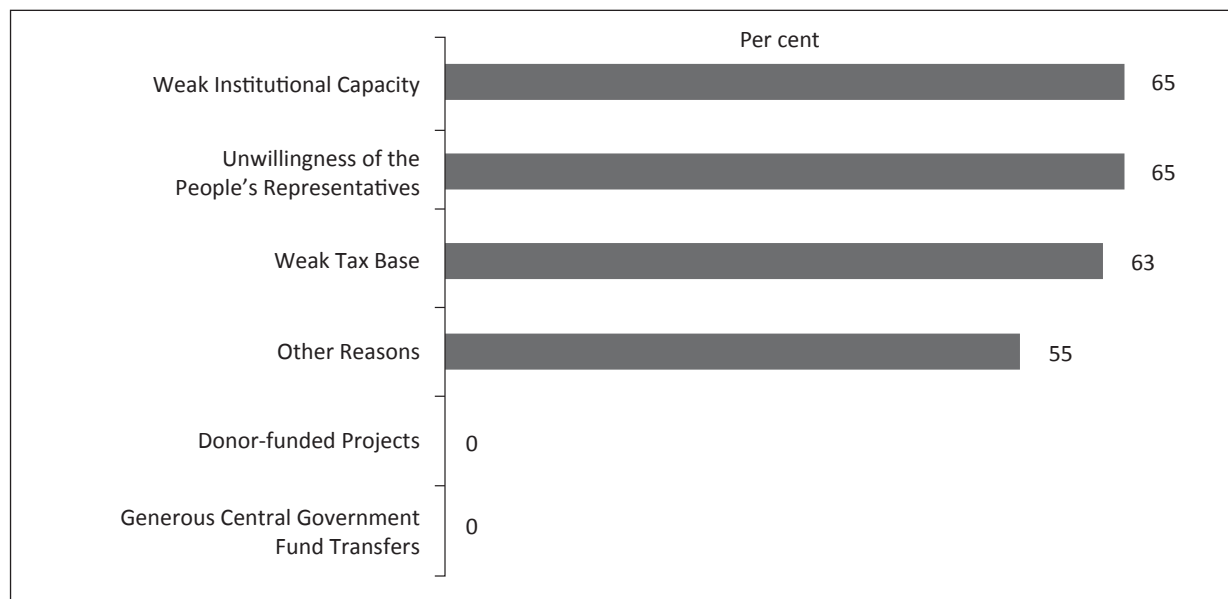


Source: Based on authors' field survey findings.

Interviewees also identified problems associated with the collection of holding taxes. Most interviewed municipal citizens were found to be unaware of the holding tax rate and the collection procedure. The survey revealed that only about 30 per cent of sampled municipal citizens were aware of the holding tax rate, and only about 15 per cent had moderate knowledge about the collection procedure. Tax collectors are supposed to go door-to-door to deliver tax bills, but citizens informed that tax bills were not regularly delivered. The survey revealed that about 48 per cent of citizens did not get their bills on time. On average, they got their bills two to three months after a tax assessment was made. Moreover, sampled municipalities followed either the manual procedure or bank collection procedure. In the case of manual dealings, there was wide scope for corruption and tax evasion, mainly due to the illicit collusion between taxpayers and collectors, was identified as common. Only a few municipalities were found to have prepared tax defaulters lists. In select cases lists were made public, but no subsequent penal measures were ever taken. Most municipalities did not make any effort to make their list public. There was an evident lack of political will to enforce penalties.

As shown in Figure 6, councillors ranked weak institutional capacity and the unwillingness of elected representatives as the main obstacles to raising own source revenues in municipalities. Interestingly, Table 10 indicates that the unwillingness of elected representatives, institutional capacity and tax bases are major problems in category C municipalities than in category A municipalities. Councillors did not consider generous central government transfers and donor-funded projects to be impediments to own source revenue mobilisation.

Figure 6: Barriers to Own Source Revenue Generation for Municipalities



Source: Based on authors' field survey findings.

Table 10: Relative Importance of Barriers to Own Source Revenue Generation for Municipalities

Categories of Municipalities	Unwillingness of the People's Representatives		Weak Institutional Capacity		Weak Tax Base		Generous Central Government Fund Transfers		Donor-funded Projects		Other Reasons	
	Problem	No Problem	Problem	No Problem	Problem	No Problem	Problem	No Problem	Problem	No Problem	Problem	No Problem
A	0.00	100.00	40.00	60.00	40.00	60.00	0.00	100.00	0.00	100.00	0.00	100.00
B	80.00	20.00	66.70	33.30	50.00	50.00	0.00	100.00	0.00	100.00	50.00	50.00
C	100.00	0.00	83.30	16.70	100.00	0.00	0.00	100.00	0.00	100.00	100.00	0.00

Source: Based on authors' field survey findings.

Central Government Transfers

Sources and volume: Fiscal transfers comprising shared taxes and block grants have a special role in the finances of municipalities, despite the absence of well-set policies in Bangladesh. The rationale of transferring resources is based on the assumption that local governments cannot generate the revenues they need, and the assertion that transfers from the central government to local governments are necessary to correct functional and fiscal mismatches. Generally, municipalities and city corporations

depend heavily on central grants, namely ADP block grants and special block grants. These central grants are provided primarily to fund development and maintenance activities. The survey revealed that most sampled municipalities and city corporations received ADP block grants more or less on time, but transfers have been delayed in case of special block grants (Table 11). The survey also revealed that decisions about special block grants are often made upon political considerations. The value of these grants and when they would be 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.

Table 11: Timely Receipt of Central Government Transfers in the Sampled Municipalities (by Source)

Source	Grants Received on Time (%)	Grants Not Received on Time (%)
ADP block grant	88.9	11.1
Special block grant	44.4	55.6

Source: Based on authors' field survey findings.

Effectiveness of the current system of grant distribution: The majority of sampled municipalities do not support the existing system of grant distribution. Five out of nine (55.6 per cent) municipalities labeled the system's approach as illogical and ineffective (Table 12). Generally, the government grants are allocated based on the category (Special, A, B, C) of municipalities. While distributing this grant, the central government does not pay any attention to important issues such as actual need, capacity, population size or backwardness of the municipalities.

Table 12: Opinion on the Effectiveness of the Current System of Grant Distribution

Effective (%)	Effective to Some Extent (%)	Not Effective (%)
33.3	11.1	55.6

Source: Based on authors' field survey findings.

There are two reasons for dissatisfaction about the existing system of grant distribution. First, it fosters discrimination between municipalities. The system is unfair given that municipalities have their inherent weaknesses owing to structural, geographical and other reasons. There has been no systematic attempt by the central government to enhance the capacities of weaker municipalities or treating the weaker municipalities separately while distributing central government grants. Therefore, weaker municipalities remain weak under the existing system of grant distribution. Second, there are municipalities that are not in positions to raise revenue even if they exert maximum effort. Upgrading from one category of municipality to another thus remains a distant possibility for them. The current system has a demoralising effect on municipalities that have low revenue mobilisation potential.

Challenges: For local governments, functional and fiscal mismatches result in a high degree of financial dependency on transfers from the central government. Given the benefits of financial autonomy, own source revenue should play a major role for municipalities and city corporations, while dependency on the central government should be as low as possible. One danger of liberal provisions of ADP block grants and special block grants is that the efforts of municipal bodies to mobilise their own resources get slackened. Mayors and councillors indicated that the special block grant is a discretionary grant that is more often than not allocated upon political considerations – the municipalities having mayors representing the ruling party always get preferential treatments, and these funds are never allocated to any municipalities having mayors affiliated with the opposition political parties.

Municipality and City Corporation Borrowing

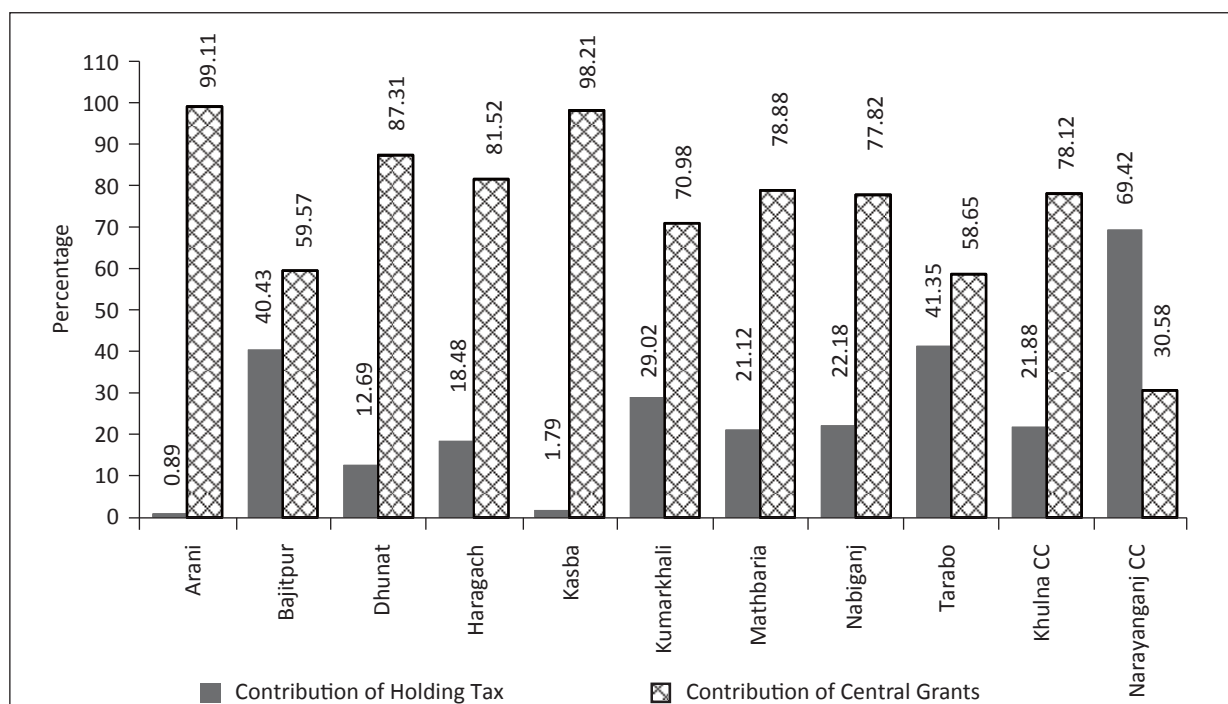
By dint of the *Local Authorities Loans Act, 1914*, a municipality can borrow money from banks and financial institutions. But since advanced approval from the central government is required, no sampled municipality borrowed from any bank or financial institution. There is a World Bank-supported central government project known as the Bangladesh Municipal Development Fund, from which a municipality can obtain preferential loans to undertake development activities. Only two out of nine (22.2 per cent) sampled municipalities have received grants from that fund. Municipalities and city corporations that have been able to demonstrate increasingly higher own source revenue generation can claim additional grants from the Urban Governance and Infrastructural Improvement Project funded by the Asian Development Bank (ADB). The two sampled city corporations have received grants under this project.

4.2.2 Mapping Financial Autonomy in Urban Local Government Institutions

Most sampled municipalities and city corporations are heavily dependent on central government transfers, as shown in Figure 7. For municipalities, such transfers constitute between 30 per cent and 99 per cent of total revenue. The average contribution of holding taxes to the total revenues of sampled municipalities and city corporations is 25.38 per cent, while the average contribution of central government transfers to total revenues is about 74.61 per cent. Strikingly, eight out of 11 (72.7 per cent) surveyed municipal and city corporation mayors said that their dependence on central grants is adversely affecting their fiscal autonomy and institutional capacity to carry out mandated functions (Table 13).

An analysis of various aspects of financial management demonstrates that urban local government institutions are not autonomous in many areas. As shown in Table 14, elected representatives perceived that they are less autonomous in preparing the list of credit defaulters, whereas they perceived greater autonomy in settling audit objections. Perceived autonomy generally varies according to categories of

Figure 7: Contributions of Holding Taxes and Central Grants to Total Revenues of Sampled Municipalities and City Corporations in FY2010-11



Source: Based on authors' field survey findings.

Table 13: Perceptions of Mayors and Councillors on Autonomy in Different Aspects of Financial Management

Aspect of Financial Management	Not Autonomous	Autonomous
Settle audit objections	27.80	72.20
Determine tax rate	42.10	57.90
Tax appeal disposal process	50.00	50.00
Tax evaluation	52.60	47.40
Increase the tax ambit	52.90	47.10
Tendering	68.40	31.60
Making investments in commercial markets or buildings	72.20	27.80
Budget implementation	72.20	27.80
Planning	77.80	22.20
Preparing lists of credit defaulters	82.40	17.60

Source: Based on authors' field survey findings.

Table 14: Perceptions of the Mayors and Councillors on the Financial Autonomy of the Municipalities

Indicator on Financial Autonomy	Category of Municipalities	Not Autonomous (%)	Autonomous (%)
Tax evaluation	A	33.30	66.70
	B	44.40	55.60
	C	71.40	28.60
Preparing lists of credit defaulters	A	50.00	50.00
	B	75.00	25.00
	C	100.00	0.00
Tax appeal disposal process	A	0.00	100.00
	B	77.80	22.20
	C	28.60	71.40
Planning	A	66.70	33.30
	B	77.80	22.20
	C	83.30	16.70
Investment in alternative sources of permanent income ^a	A	50.00	50.00
	B	66.70	33.30
	C	85.70	14.30
Budget implementation	A	66.70	33.30
	B	62.50	37.50
	C	85.70	14.30
Settle audit objections	A	33.30	66.70
	B	12.50	87.50
	C	42.90	57.10
Tendering	A	100.00	0.00
	B	55.60	44.40
	C	71.40	28.60

Source: Based on authors' field survey findings.

Note: ^aInvestments by municipalities in the construction of commercial markets or shopping malls, for instance.

municipality. For instance, in the case of tax evaluation, the higher the category of municipality the higher the perceived autonomy. In the cases of planning and budget implementation category C municipalities perceived to be having the lower level of autonomy. Key trends are presented in Table 15.

Table 15: Variations in the Degree of Autonomy on Different Indicators

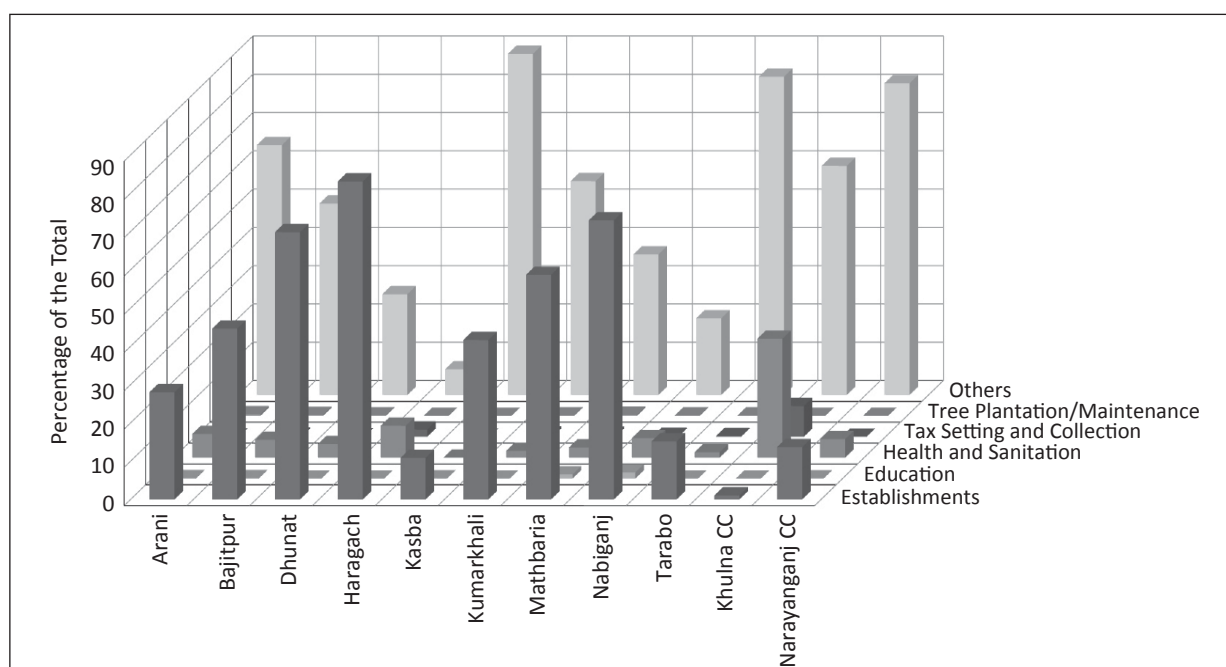
Indicator	Observations
Tax evaluation	As the category of municipality increases, perceived autonomy increases
Preparing lists of credit defaulters	As the category of municipality decreases, perceived autonomy decreases
Tax appeal disposal process	Category A municipalities are perceived to be fully autonomous
Planning	As the category of municipality increases, perceived autonomy increases
Investment in alternative sources of permanent income	As the category of municipality increases, perceived autonomy increases
Budget implementation	Category C municipalities are perceived to be least autonomous
Settle audit objections	Category C municipalities are perceived to be least autonomous
Tendering	Category A municipalities do not perceive having any autonomy

Source: Based on authors' field survey findings.

4.2.3 Expenditure Patterns of Municipalities and City Corporations

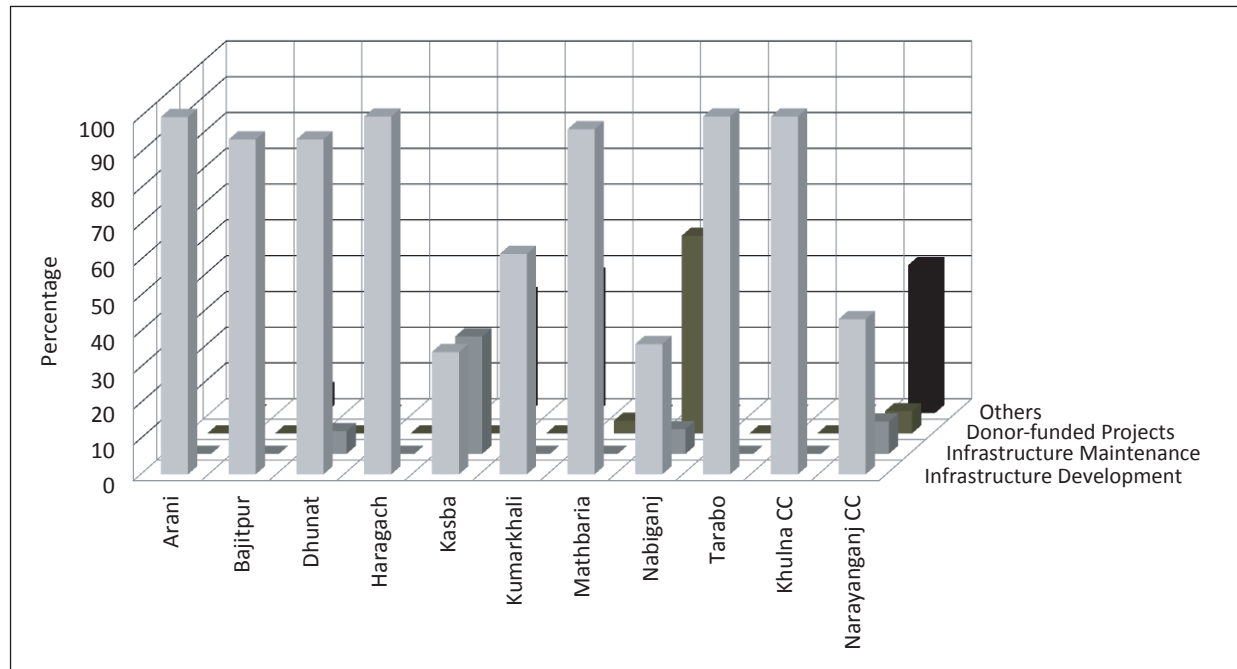
As demonstrated in Figure 8, major local government expenditures include Establishments, Others, and Health and Sanitation, with Education evidently being a low priority. 'Establishments' covers honorariums of mayors and councillors, staff salaries including wages of daily labourers, purchases and maintenance of vehicles, fuel for vehicles, telephone bills, electricity bills, purchases of furniture, purchases and maintenance of computers and travel allowances. '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. Major development expenditures include Infrastructure Development, Infrastructure Maintenance, Others and Donor-funded Projects, as shown in Figure 9. 'Others', in case of development expenditures, mostly covers street lighting, education, sports, public health, neighbourhood development, animal resources and renovation of bus terminals.

Figure 8: Major Areas of Expenditure of Sampled Municipalities and City Corporations: 2010-11



Source: Based on authors' field survey findings.

Figure 9: Major Areas of Development Expenditure of Sampled Municipalities and City Corporations: 2010-11



Source: Based on authors' field survey findings.

4.2.4 Budgets and Budgetary Processes

Municipalities in general, and city corporations in particular, 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 councillors, accounting departments select projects and allocate funds. Revenue estimates are prepared by totalling arrear taxes and current demand for taxes and increasing other revenues by certain percentages. Municipalities are legally required to have balanced budgets, but a significant part of arrear taxes often remains uncollected, which causes the 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 then made on projections based on the previous year's receipts (Ahmed 2000). Municipalities' and city corporations' revenues and expenditures are thus conditioned by the level of resources available. In municipalities where revenues are low, expenditures are also low. Such low expenditures have crucial impacts on the nature and quality of public services that can be provided.

4.2.5 Auditing Practices in Municipalities and City Corporations

External audits are carried out every year in municipalities. There were no provisions for internal auditing in sampled municipalities and city corporations. External auditors come from the local revenue audit department of the office of the Accountant General of Bangladesh. Two auditors typically take about 10 days to complete an audit. Audit reports concentrate on the accuracy of financial records, but do not look into financial management aspects such as realistic budgeting, tax collection performance, cash management and interest earned from bank deposits (Ahmed 2000).

4.2.6 Financial Transparency and Accountability

Copies of audit reports, annual financial statements, tax assessments and annual budgets are generally not shared with the wider population of municipalities. Open budget meetings are held in some municipalities where budgets are shared with citizens. However, it is to be noted that only the influential local people are invited to those meetings and common citizens are largely unaware of this practice. Councillors are often unaware of audit reports and objections. The current accounting system used in municipalities is the single-entry accounting system, and only 50 per cent of sampled municipalities had computerised tax record-keeping systems. The financial activities of municipal authorities therefore lack transparency and accountability. In the absence of monitoring by the members of local civil society, citizens have hardly any idea about municipal revenues and expenditures, funding allocations and implementation of development and maintenance activities.

4.3 Citizens' Perceptions about Municipalities and City Corporations

A total of 110 citizens from the sampled municipalities and city corporations were interviewed. Eleven in-depth focus group discussions were also conducted with citizens of these municipalities and city corporations. Important perceptions included:

- 60 per cent of citizens were not satisfied with the quality of services provided by their local government.
- 67 per cent of citizens did not lodge a complaint about poor service quality because they “knew nothing would change.”
- 90 per cent of citizens perceived that they could not participate in development project identification processes.
- 63 per cent of citizens “heard” about corrupt practices in municipal development projects.
- 55 per cent of citizens said that the constitution of their municipality contributed to ending some social safety net interventions such as the Vulnerable Group Development programme and female students’ scholarships, which have heavily affected the extreme poor in particular.
- 40 per cent of citizens opined that municipal officials were corrupt and inefficient.
- Many citizens, both poor and rich, of two sampled municipalities advocated for reverting to union parishads. They opined that they were better-off under union parishads.

4.4 Policy Perspectives on Finance for Municipalities and City Corporations

Does Population Size Matter?

A large population does not necessarily help a municipality or a city corporation mobilise more own source revenue. A municipality or a city corporation with a relatively small population may be better positioned to mobilise more of such revenue. Strikingly, municipalities and city corporations were found to have performed poorly on own source revenue mobilisation, both with large and small population. Population size is therefore not linked with better financial management capacities, improved accountability and increased autonomy of municipalities or city corporations.

Does the Strong Economic Base of the Municipality or City Corporation Matter?

A municipality or a city corporation that has a relatively small population but a strong economic base, is generally in a better position to raise own source revenue. But it does not necessarily guarantee an efficient financial management system or effective accountability mechanisms. A strong economic base

certainly contributes to increased autonomy. It might contribute to more finance, but it alone might not improve financial accountability. The attitudes and education of the mayor and councillors are important factors in improving accountability.

Does Political Affiliation of Elected Representatives Matter?

Councillors' political affiliations were not found to have negative impacts on the working relationships of officials and employees functionaries. A mayor's political affiliations, however, tend to have significant impacts. If the mayor belongs to the ruling political party:

- The municipality or city corporation can easily secure funding from the central government.
- The mayor is less accountable to the local community for the nature and quality of public services.
- The municipality or city corporation is more autonomous since checks and balances are relaxed.
- Both local and central administration becomes more supportive to the mayor.

If the mayor belongs to an opposition political party:

- The municipality or city corporation receives "no or fewer" special block grants.
- The mayor needs to be more accountable for public services to the local community.
- The municipality or city corporation is less autonomous, since local members of parliament and influential local political leaders linked with the ruling party tend to influence the decision making process of the municipalities and city corporations.
- Both local and central administration is less supportive to the mayor.

If the mayor and local members of parliament are from the same political party and the mayor has long-term political ambitions, then local members of parliament tend to dominate the local political scenes, and at times dictate the terms of the affairs of the municipalities and city corporations given his or her relatively intimate and close association with the central leadership and this often leads to serious political conflict. In extreme cases, this conflict causes serious disruptions in the usual functioning of the municipalities and city corporations. Such an instance was found in one of the sampled municipalities.

Does the Location of a Municipality or City Corporation Matter?

A number of sampled municipalities are located far from Dhaka or a district town but were found to have relatively good financial management and accountability practices. On the other hand, some municipalities with relatively closer proximity to the capital or a district town were found to have poor financial management and administrative capacities. One sampled city corporation was closer to Dhaka and the other was located far from Dhaka. The study reveals that the performance of both the city corporations on financial management has been less than satisfactory.

When compared the relative performance of these two city corporations, it was found out that on some indicators of financial management and accountability practices, Narayanganj City Corporation seemed to have performed better than the Khulna City Corporation. On the other hand, on some indicators, however, Khulna City Corporation has outperformed Narayanganj City Corporation. Location then, appeared not to have influenced financial management and accountability practices.

Does the Year of Establishment of the Municipality or City Corporation Matter?

A few of the older sampled municipalities were found to have poor financial management, weak accountability systems and low administrative capacities. However, some old municipalities were found to have good financial management and high administrative capacities. A few relatively newly established municipalities were found to have relatively good financial management records and accountability practices, while several new municipalities appeared to have poor financial management records, dismal accountability practices and low administrative capacities. Similar trends were revealed in case of city corporations as well. Therefore, a municipality's or city corporation's year of establishment appears to have no effect on financial management, accountability or administrative capacity.

Does the Category of Municipality (A, B, C) Matter?

The category of municipality has effects on financial management, accountability and autonomy. Category A municipalities' financial management, accountability practices and autonomy were found to be better than that of category B and C municipalities. The two category C municipalities in the sample were found to have dismal financial management and accountability practices.

Does the Amount of Generated Revenue Matter?

The amount of revenue generated was found to be associated with proper financial management, strong accountability and relative autonomy. It was found out that the more revenue generated, the better the financial management and greater the observed level of accountability and autonomy. For example, municipalities and city corporations that generated larger amounts of revenue had relatively good financial management and stronger accountability systems in place. On the contrary, municipalities and city corporations with smaller amounts of own source revenue had poor financial management and weak accountability practices.

5. CONCLUDING OBSERVATIONS

In recent years in Bangladesh, there has been a major shift in thinking about the provision of public services, such as water supply, sewerage, and road construction and maintenance, in urban areas. These services are no longer viewed as free public goods or obligatory services provided by local governments in return for the payment of taxes. Increasingly, these services are being considered as commodities that are to be provided on a commercially viable basis, as goods for which service charges or user fees have to be paid, at times in addition to general taxes. Service charges or user fees are expected to meet the total cost – both capital costs and operation and maintenance costs – of supplying these services over the long-term. Many municipalities and city corporations do not have adequate capacities to provide basic services. In cases where public services are provided, the cost recovery of some of them, like the provision of water, is often low. With a view to balance local governments' revenues and expenditures, the costs of public services should be recovered by charging the users of those services appropriate fees. The rationalisation of user fees for public services is therefore necessary to mobilise substantial revenues for financing both services and urban infrastructure development.

There is no denying that for municipalities and city corporations to operate efficiently and effectively, systematic and sustained capacity building initiatives are needed in addition to increased revenue. Institutional capacity includes both human competences and logistics.

This study has revealed that the overwhelming majority of elected representatives appeared to lack that knowledge and understanding of local government functions, operational procedures, and even knowledge about their rights and obligations. Strikingly, most of the elected representatives, particularly the councillors also seemed to have little knowledge with regard to budgeting, planning and resource management. Adequate attention should thus immediately be paid to:

- Ensure proper financial management systems including regular internal and external audits for municipalities and city corporations;
- Systematic devolution of power to the municipalities and city corporations with a view to make them more autonomous on the front of human resource management including various aspects of local taxation;
- Systematic training to enhance the knowledge of the elected representatives about their rights and obligations;
- Enhance the capacity of the municipalities and city corporations in order to improve the quality of the services being delivered by these institutions;
- Activate the committees envisaged in the rules to enhance citizens' participation and engagements in the affairs of the municipalities and city corporations;
- Computerisation of tax and accounting systems;
- Sustained capacity building initiatives to help increase the elected representatives' knowledge about budgeting, planning and local resource management;
- Minimise the gender discrimination (between male and female councillors) which currently exists in municipalities and city corporations.

Now the question is who can and will do it? The Ministry of Local Government, Rural Development and Co-operatives is overburdened with the management of many national and donor-funded projects. The ministry is currently engaged in implementing as many as 135 different nation-wide projects either alone or in collaboration with other government institutions. The Implementation, Monitoring and Evaluation Division (IMED) of the Ministry of Planning is responsible for monitoring the functions of local government institutions, but it is weak, ineffective and ultimately inadequate. Field-level government officials, such as deputy directors of local government, conduct inspections, but their functions relate more to control than monitoring.

Over the years, all the successive governments in Bangladesh always remained seemingly committed to local government reform and reorganisation, but in reality they all lacked serious commitment to it. It is important to note that three reform commissions were set up by the successive governments namely, the Local Government Structure Review Commission (1993), Local Government Commission (1997) and Committee for Recommendation of Financial Powers and Sources of Financing Local Government Institutions (1999) with a view to bring about substantive changes in the role, structure and management of local governments in Bangladesh. These commissions produced voluminous reports, offered useful recommendations. But the successive governments just shelved those reports, and never made any serious attempt to implement even the most important and pragmatic recommendations of those reform commissions. In 2008, the then Caretaker Government set up a Local Government Commission according to the popular demand of a wide range of stakeholders, including local government representatives, academics and development partners. But the Awami League government hastily abolished the commission after assuming power in 2009 without assessing its potential to provide meaningful support to local governments. During the field survey conducted for this study, elected representatives and citizens alike were all in favour of setting up an independent Local Government Finance Commission.

Most respondents viewed that a permanent Local Government Finance Commission should be established in order to ensure objective distribution and allocation of central government finance to local governments. Such a commission would bring a fresh perspective to the role that local government can play in helping the big social and economic challenges. The commission would focus on a new leadership style for local government where municipalities and city corporations become more enterprising and citizens become more engaged. The commission would also oversee auditing, financial management and accountability systems of the local governments and monitor their overall performance on a regular basis.

REFERENCES

- Abdulwaheed, S. and Samihah, K. 2012. "Decentralization: Catalyst for Welfare Service Delivery by Local Government Administration." *Journal of Public Administration and Governance*, 2 (4): 43-56.
- Ahmed, N. 2000. *Resource Mobilization and Management in Tangail Pourashava*. SINPA Number 01. Rotterdam: Institute for Housing and Urban Development Studies.
- Ahmed, T. 2012. "Local Government in Bangladesh." Paper presented at the High Level Commonwealth Symposium on *Promoting Inter-Governmental Relations and Sharing of Good Practice Policies on Local Government (South Asia)*, organised by the Commonwealth Local Government Forum (CLGF). 24-25 April, Colombo, Sri Lanka.
- Bahl, R. 1999. *Implementation Rules for Fiscal Decentralization*. International Studies Program Working Paper 99-1. Atlanta: Andrew Young School of Policy Studies, Georgia State University. Available at: <http://aysps.gsu.edu/isp/files/ispwp9901.pdf>
- Bahl, R. and Linn, J. 1994. "Fiscal Decentralization and Intergovernmental Transfers in Less Developed Countries." *Publius*, 24 (1): 1-19.
- Bahl, R. and Martinez-Vazquez, J. 2006. *Sequencing Fiscal Decentralization*. Policy Research Working Paper 3914. Washington, D.C.: The World Bank.
- BBS. 2012. *Population and Housing Census 2011*. Dhaka: Bangladesh Bureau of Statistics (BBS).
- Bennett, R. J. (Ed.) (1990). *Decentralization, Intergovernmental Relations and Markets: Towards a Post-Welfare Agenda*. Oxford: Clarendon Press.
- Bird, R. M. 2000. "Transfers and Incentives in Intergovernmental Fiscal Relations." In *Annual World Bank Conference on Development in Latin America and the Caribbean 1999: Decentralization and Accountability of the Public Sector*. Washington, D.C.: The World Bank.
- Bird, R. M. and Vaillancourt, F. (Eds.) 1998. *Fiscal Decentralization in Developing Countries*. Cambridge: Cambridge University Press.
- Bird, R. M., Ebel, R. D. and Wallich, C. I. 1995. *Decentralization of the Socialist State: Intergovernmental Finance in Transition Economies*. Washington, D.C.: The World Bank.
- Blair, P. 1993. "Financial Equalisation between Local and Regional Authorities in European Countries." In Gibson, J. and Batley, R. (Eds.) *Financing European Local Government*. London: Frank Cass.
- Boex, J. 2009. *Fiscal Decentralization and Intergovernmental Finance Reform as an International Development Strategy*. IDG Working Paper No. 2009-06. Washington, D.C.: Urban Institute Center on International Development and Governance.
- Boschmann, N. 2009. *Fiscal Decentralization and Options for Donor Harmonisation*. Bonn: Development Partners Working Group on Local Governance and Decentralization. Available at: http://www.delog.org/cms/upload/pdf/Fiscal_Decentralisation.pdf
- Chowdhury, A. I. 1997. *Resource Mobilization and Urban Governance in Bangladesh*. Dhaka: Centre for Urban Studies.
- Crook, R. C. 2003. "Decentralisation and Poverty Reduction in Africa: The Politics of Local-Central Relations." *Public Administration and Development*, 23 (1): 77-88.

Das, D. K. n.d. *Perspective Report on Revenue Mobilization of Union Parishads in Bangladesh*. Dhaka: Ministry of Local Government, Rural Development and Co-operatives.

Davey, K. J. and Péteri, G. 1998. *Local Government Finances: Options for Reform*. Nagykovácsi: Pontes Ltd.

Elhiraika, A. B. 2007. *Fiscal Decentralization and Public Service Delivery in South Africa*. ATPC Working Paper No. 58. Addis Ababa: African Trade Policy Centre (ATPC).

Evans, A. and Manning, N. 2004. *Administrative Decentralization: A Review of Staffing Practices during Decentralization in Eight Countries*. Draft paper prepared for The World Bank. Available at: [www1.worldbank.org/publicsector/civilservice/june2004seminar/Decentralizationpaper\(25-05-04a\).doc&ei=F7dKUqu4GYHrQfuqIDoCA&usg=AFQjCNHXc1QdjyTVgKHymy9objUKIbbBIA&sig2=M4Hu6yHYry3jirDxED-n3Q](http://www1.worldbank.org/publicsector/civilservice/june2004seminar/Decentralizationpaper(25-05-04a).doc&ei=F7dKUqu4GYHrQfuqIDoCA&usg=AFQjCNHXc1QdjyTVgKHymy9objUKIbbBIA&sig2=M4Hu6yHYry3jirDxED-n3Q)

Fox, W. F. and Menon, B. 2008. *Decentralization in Bangladesh: Change has been Illusive*. International Studies Program Working Paper 08-29. Atlanta: Andrew Young School of Policy Studies, Georgia State University.

Islam, N. 2012. "Urbanization and Urban Governance in Bangladesh." Background paper for the GDN 13th Annual Global Development Conference on *Urbanization and Development: Delving Deeper into the Nexus*. 16-18 June, Budapest, Romania.

Martinez-Vasquez, J. 2011. *Fiscal Decentralization in Asia: Challenges and Opportunities*. Manila: Asian Development Bank (ADB).

Oates, W. E. (Ed.) 1977. *The Political Economy of Fiscal Federalism*. Lexington: Lexington Books.

Shah, A. 2004. *Fiscal Decentralization in Developing and Transition Economies: Progress, Problems and the Promise*. World Bank Policy Research Working Paper 3282. Washington, D.C.: The World Bank.

Smith, L. D. 2001. *Reform and Decentralization of Agricultural Services: A Policy Framework*. FAO Agricultural Policy and Economic Development Series 7. Rome: Food and Agriculture Organization of the United Nations (FAO).

Smoke, P. 2001. *Fiscal Decentralization in Developing Countries: A Review of Current Concepts and Practice*. Programme Paper No. 2 (Governance), PP-DGH-2. Geneva: United Nations Research Institute for Social Development (UNRISD).

Smoke, P. 2003. "Decentralisation in Africa: Goals, Dimensions, Myths and Challenges." *Public Administration and Development*, 23 (1): 7-16.

Tanzi, V. 2001. "Globalization and the Work of Fiscal Termites." *Finance and Development*, 38 (1): 34-37. Available at: <http://www.imf.org/external/pubs/ft/fandd/2001/03/tanzi.htm>

UNDESA. 2004. *World Urbanization Prospects: The 2003 Revision*. New York: United Nations Department of Economic and Social Affairs (UNDESA), United Nations.

UNESCAP. 1999. *Country Reports on Local Government Systems: Bangladesh*. New York: United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), United Nations.

Wildasin, D. E. (Ed.). 1997. *Fiscal Aspects of Evolving Federations*. Cambridge: Cambridge University Press.

Annex: Data and Information Used for Sample Design

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Bogra	A	1876	350,397					1	1			
Savar	A	1997	286,008					1				1
Mymensingh	A	1869	258,040					1	1			
Jessore	A	n.a.	201,796					1				
Dinajpur	A	1869	186,727					1	1			
Chapainawabganj	A	1903	180,731					1	1			
Gazipur	A	1986	179,037					1			1	
Cox's Bazar	A	n.a.	167,477					1				
Tangail	A	1887	167,412					1	1			
Sirajganj	A	1869	158,913					1	1			
Brahmanbaria	A	1868	158,366					1	1			
Kaliakoir	A	2001	157,162					1				1
Feni	A	1958	156,971					1		1		
Naogaon	A	1963	150,549					1		1		
Narsingdi	A	1972	146,115					1			1	
Pabna	A	1876	144,442					1	1			
Jamalpur	A	1869	142,764					1	1			
Syedpur	A	1958	127,104					1		1		
Sreepur	B	2000	126,249					1				1
Faridpur	A	1869	121,632					1	1			
Bhairab	A	1958	118,992					1		1		
Satkhira	A	1863	113,322					1	1			
Jhenaidaha	A	1958	107,834					1		1		
Noakhali	A	1876	107,654					1	1			
Kishoreganj	A	1869	103,798					1	1			
Kushtia	A	1869	102,988					1	1			
Magura	A	1972	98,355				1				1	

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Sherpur	A	1976	97,979				1				1	
Netrokona	A	1887	91,936				1		1			
Ghorasal	A	1998	85,949				1					1
Noapara	A	n.a.	85,856				1					
Chuadanga	A	1972	85,786				1				1	
Rangamati	A	1972	84,000				1				1	
Laxmipur	A	1985	83,112				1				1	
Natore	A	1869	81,203				1		1			
Thakurgaon	A	1998	80,589				1					1
Kurigram	A	1972	77,252				1				1	
Belkuchi	B	2006	75,364				1					1
Chakaria	A	1994	72,669			1						1
Manikganj	A	1972	71,698			1					1	
Munshiganj	A	1972	70,674			1					1	
Laksham	A	1984	70,632			1					1	
Habiganj	A	1881	69,512			1			1			
Joypurhat	A	1975	69,033			1					1	
Gaibandha	A	1923	67,833			1			1			
Ishwardi	A	1974	66,255			1					1	
Sunamganj	A	1919	65,332			1			1			
Patuakhali	A	1892	65,000			1			1			
Tarabo	B	2002	64,875 (as of 2001)			1						1
Shahjadpur	A	n.a.	64,507			1						
Hajiganj	A	n.a.	63,892			1						
Madaripur	A	1875	62,690			1			1			
Nageshwari	B	2001	62,289			1						1
Haragach	C	1989	61,425			1					1	
Debidwar	B	2002	61,418			1						1

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Lalmonirhat	A	1972	60,322			1					1	
Pirojpur	A	1885	60,056			1			1			
Matlab	B	1997	59,286			1						1
Raozan	B	1998	59,148			1						1
Dhamrai	B	1999	56,777			1						1
Nowhata	A	n.a.	56,755			1						
Moulvibazar	A	1887	56,537			1			1			
Modhupur	B	1995	56,342			1						1
Rajbari	A	n.a.	56,313			1						
Patiya	A	1990	55,323			1					1	
Jhalokati	A	1875	54,029			1			1			
Nabinagar	A	1999	53,157			1						1
Sharishabari	B	n.a.	52,162			1						
Gopalganj	A	1972	51,346			1					1	
Gopalpur	B	1974	50,160			1					1	
Bera	A	1998	50,068			1						1
Muktagachha	A	1878	49,915		1				1			
Madhobdi	A	1994	49,583		1							1
Shariatpur	A	1985	49,535		1						1	
Kanchon	C	n.a.	49,468		1							
Bagerhat	A	1958	49,013		1					1		
Ullahpara	A	1994	47,693		1							1
Bhola	A	1920	47,477		1				1			
Khagrachhari	A	1984	47,278		1						1	
Chandina	B	1997	46,823		1							1
Daudkandi	B	1995	46,256		1							1
Jaldhaka	C	2001	46,211		1							1
Ulipur	B	n.a.	45,933		1							

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Panchagrah	A	1985	45,589		1						1	
Kaliganj	C	2010	45,430		1							1
Nilphamari	A	1972	45,386		1						1	
Kaliganj	A	n.a.	45,341		1							
Chhagalnaiya	B	2002	45,177		1							1
Satkania	B	2003	45,001		1							1
Hatia	C	2005	44,802		1							1
Ramganj	A	1999	44,775		1							1
Chhatak	A	n.a.	44,364		1							
Mirkadim	B	n.a.	44,145		1							
Sitakunda	B	1998	43,555		1							1
Meherpur	A	n.a.	43,133		1							
Shibganj	A	n.a.	42,693		1							
Gournadi	A	n.a.	42,438		1							
Norail	A	n.a.	42,299		1							
Beainbazar	B	2001	42,030		1							1
Kalkini	C	n.a.	41,608		1							
Bandarban	A	1984	41,434		1						1	
Swandip	C	n.a.	41,365		1							
Kotiadi	C	2001	40,725		1							1
Jagannathpur	B	1999	40,699		1							1
Kasba	C	1999	40,416		1							1
Golapganj	A	2001	40,411		1							1
Mongla Port	A	n.a.	39,837		1							
Godagari	A	1995	39,766		1							1
Bhaluka	A	1998	38,774		1							1
Santhia	B	n.a.	38,704		1							
Islampur	B	n.a.	38,568		1							

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Gobindoganj	B	1998	38,415		1							1
Charghat	B	1998	38,409		1							1
Chouddogram	B	2003	38,317		1							1
Dewanganj	C	n.a.	38,027		1							
Kalihati	B	1998	37,038		1							1
Bashkhali	B	2002	36,910		1							1
Benapol	A	2006	36,524		1							1
Dohar	A	n.a.	36,434		1							
Akhaura	C	1999	36,262		1							1
Dhanbari	B	1996	36,125		1							1
Chandpur	A	1896	35,587		1				1			
Shailkupa	A	n.a.	35,271		1							
Chandanaish	B	2002	35,248		1							1
Ghatail	B	1998	35,245		1							1
Faridganj	C	2005	35,090		1							1
Rohanpur	B	n.a.	34,941		1							
Raipura	C	2005	34,904		1							1
Bajitpur	B	1869	34,898		1				1			
Phulbari	B	1983	34,768		1						1	
Trishal	A	1998	34,747		1							1
Birampur	A	n.a.	34,334		1							
Sonaimuri	B	2003	34,218		1							1
Bhanga	B	1997	34,148		1							1
Nandail	C	1997	33,308		1							1
Singra	A	1999	33,192		1							1
Madarganj	C	n.a.	33,169		1							
Courtchandpur	A	1883	33,094		1				1			
Nakla	C	2001	33,086		1							1

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Gurudasapur	A	1991	32,807		1						1	
Jhikargachha	B	1998	32,774		1							1
Rangunia	B	2000	32,641		1							1
Dagonbhuiyan	A	2002	32,580		1							1
Sonargaon	B	2001	32,496		1							1
Borguna	A	1973	32,235		1						1	
Alamdanga	A	1985	32,048		1						1	
Kuliarchor	C	1999	31,781		1							1
Tanore	C	1995	31,479		1							1
Chatkhil	A	1995	31,395		1							1
Melandah	C	n.a.	31,320		1							
Fulbaria	B	2001	31,058		1							1
Santahar	B	n.a.	31,037		1							
Nalchity	B	1965	30,805		1					1		
Roipur	A	1994	30,756		1							1
Patgram	A	1999	30,565		1							1
Nabiganj	B	1997	30,286		1							1
Mehendiganj	B	1998	30,067		1							1
Sokhipur	C	n.a.	30,028		1							
Porshuram	C	2001	29,691		1							1
Gaiffargaon	A	1999	29,325		1							1
Homna	B	2002	29,173		1							1
Parbatipur	B	1972	29,143		1						1	
Pangsha	B	n.a.	29,098		1							
Kumarkhali	A	1869	29,000		1				1			
Bhuapur	B	1994	28,708		1							1
Ishwarganj	A	1997	28,631		1							1
Katakhal	C	n.a.	28,613		1							

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Pakundia	C	2007	28,606		1							1
Mirzapur	B	2000	28,602		1							1
Hakimpur	C	1999	28,411		1							1
Arani	B	2006	28,300		1							1
Shahrasti	B	1998	28,287		1							1
Derai	C	1999	28,157		1							1
Monirampur	B	1997	28,138		1							1
Pirganj	B	1989	27,700		1						1	
Maheshpur	A	n.a.	27,670		1							
Bagha	B	1999	27,623		1							1
Boalmari	B	n.a.	27,595		1							
Setabganj	B	1996	27,335		1							1
Maheshkhali	C	2001	27,321		1							1
Kalaroa	B	1990	27,250		1						1	
Mohanganj	B	n.a.	27,193		1							
Nalitabari	B	n.a.	27,142		1							
Kanaighat	C	n.a.	27,078		1							
Kochua	B	1998	27,024		1							1
Singair	B	2001	26,885		1							1
Karimganj	B	2003	26,844		1							1
Nangalkot	C	2002	26,719		1							1
Durgapur	C	2000	26,671		1							1
Keshabpur	A	1998	26,229		1							1
Kulaura	B	1996	26,150		1							1
Phulpur	B	2001	25,628		1							1
Gouripur	B	1927	25,570		1				1			
Jibonnagar	B	1997	25,518		1							1
Gangni	B	2001	25,500		1							1

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Sujanagar	B	1989	25,461		1						1	
Lohagora	C	2003	25,290		1							1
Badorganj	B	n.a.	25,286		1							
Sherpur	A	n.a.	25,152		1							
Matiranga	C	2002	25,144		1							1
Teknaf	B	2000	25,056		1							1
Ramgor	B	2001	24,854	1								1
Sonatola	C	n.a.	24,720	1								
Durgapur	C	2000	24,306	1								1
Akkelpur	C	1999	24,227	1								1
Sribordi	C	n.a.	24,169	1								
Shibchar	A	n.a.	24,154	1								
Ramgati	C	2000	24,016	1								1
Shaistaganj	B	1998	23,314	1								1
Hossainpur	C	2006	23,118	1								1
Sreemangal	A	1997	23,031	1								1
Naria	B	n.a.	22,773	1								
Ghoraghat	C	2005	22,717	1								1
Panchbibi	A	n.a.	22,475	1								
Mirpur	B	n.a.	22,417	1								
Dupchanchia	B	2000	22,406	1								1
Kendua	C	n.a.	22,363	1								
Barlekha	B	n.a.	22,247	1								
Baraigram	B	2004	22,247	1								1
Bheramara	B	1983	22,124	1							1	
Horinakundu	C	2002	22,011	1								1
Mundumala	B	2002	21,940	1								1
Madhabpur	A	1997	21,930	1								1

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Moralganj	C	n.a.	21,741	1								
Nazipur	B	n.a.	21,670	1								
Shibganj	C	n.a.	21,643	1								
Gabtol	C	2002	21,455	1								1
Chaugachha	C	2004	21,422	1								1
Janjira	C	n.a.	21,251	1								
Golachipa	B	1997	21,200	1								1
Gopalpur	C	1999	21,042	1								1
Puthia	C	2001	20,610	1								1
Bhangoora	B	1999	20,606	1								1
Lalmohan	A	1990	20,522	1							1	
Muladi	A	n.a.	20,490	1								
Barura	C	1995	20,405	1								1
Shibpur	C	2006	20,272	1								1
Swarupkathi	A	1988	20,019	1							1	
Muksudpur	C	n.a.	19,711	1								
Kalia	B	1976	19,678	1							1	
Chunarughat	C	2005	19,651	1								1
Keshorhat	B	n.a.	19,645	1								
Charfassion	A	1990	19,595	1							1	
Birganj	B	2002	19,467	1								1
Senbag	B	2002	19,065	1								1
Lama	C	2001	19,014	1								1
Goalnanda	B	n.a.	18,663	1								
Shariakandi	C	n.a.	18,543	1								
Nandigram	C	2003	18,496	1								1
Mathbaria	A	1993	18,375	1								1
Bhawaniganj	C	2000	17,955	1								1

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Taherpur	A	n.a.	17,944	1								
Ranisankail	C	n.a.	17,762	1								
Monohordi	C	2002	17,635	1								1
Khoksa	C	2001	17,607	1								1
Kabirhat	B	1997	17,448	1								1
Madan	C	n.a.	17,388	1								
Nachol	C	n.a.	17,364	1								
Kalapara	B	1997	17,332	1								1
Raiganj	C	2005	17,318	1								1
Amtoli	B	1998	17,311	1								1
Banpara	B	2002	17,276	1								1
Sonagaji	B	2002	17,192	1								1
Patharghata	B	1991	17,177	1							1	
Sundarganj	C	2003	17,168	1								1
Domar	C	1999	17,027	1								1
Kamalganj	C	1999	16,878	1								1
Daulatkhan	B	1998	16,728	1								1
Kakonhat	B	n.a.	16,589	1								
Kalai	B	n.a.	16,464	1								
Jokiganj	C	n.a.	16,398	1								
Mirsharai	B	n.a.	16,218	1								
Paigacha	B	n.a.	16,017	1								
Dhunat	C	2001	15,575	1								1
Bakerganj	B	1990	15,418	1							1	
Dhamoirhat	B	2004	15,006	1								1
Boda	B	n.a.	14,787	1								
Chatmohar	B	1997	14,443	1								1
Damodya	B	n.a.	14,242	1								

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Chalna	C	2004	14,188	1								1
Faridpur	C	1998	14,010	1								1
Kahaloo	C	n.a.	13,887	1								
Atghoria	C	2006	13,686	1								1
Ajmiriganj	C	2004	13,353	1								1
Borhanuddin	B	1997	13,110	1								1
Baghaichari	C	2004	12,969	1								1
Kazipur	C	2000	12,637	1								1
Nagarikanda	C	n.a.	11,872	1								
Baraiyarhat	A	2002	11,602	1								1
Bauphal	B	2001	11,435	1								1
Banaripara	C	1990	10,366	1							1	
Naldanga	C	n.a.	10,266	1								
Betagi	C	1999	10,204	1								1
Bagatipara	C	2004	9,975	1								1
Kuakata	C	2010	9,177	1								1
Tungi Para	B	1997	8,596	1								1
Bagharpara	C	1997	8,290	1								1
Bhedarganj	C	n.a.	8,169	1								
Kotalipara	B	1997	5,808	1								1
Tongi	Special	1974	n.a.								1	
Modhukhali	C	2012	n.a.									1
Elena	C	n.a.	n.a.									
Bashail	C	2011	n.a.									1
Rajoir	C	2012	n.a.									1
Goshairhat	C	2011	n.a.									1
Araihazar	C	2012	n.a.									1
Gopaldi	C	2012	n.a.									1

Municipality	Class	Year of Establishment	Population	5,000–25,000	25,001–50,000	50,001–75,000	75,001–100,000	100,001–above	Before 1947	1948 to 1971	1972 to 1992	1993 to 2012
Sengarchar	B	1998	n.a.									1
Chowmohani	A	1973	n.a.								1	
Bashurhat	A	n.a.	n.a.									
Fatikchhari	C	2011	n.a.									1
Hathazari	C	2012	n.a.									1
Boalkhali	C	2012	n.a.									1
Talora	C	2011	n.a.									1
Khatlal	C	2010	n.a.									1
Polashbari	C	2011	n.a.									1
Biral	C	2012	n.a.									1
Darshana	B	1991	n.a.								1	
Total			13,489,012	98	130	33	12	26	31	7	42	164

The **CPD-CMI Research Cooperation Programme** is being implemented during 2010-2013 with support from the Norwegian Ministry of Foreign Affairs, in cooperation and partnership with the Royal Norwegian Embassy in Dhaka. The broad objective of this programme is to contribute towards improved governance and inclusive growth in Bangladesh. The programme covers two broad themes: the *Inclusive Growth* component includes studies on – Agricultural Trade with India: Implications for Food Security and Poverty; Private Sector Development: The Role of Education and Business Training; and Governance and Energy in Bangladesh: The Role of FDI. The *Good Governance* component carries out research on – The Parliament of Bangladesh; The Political Parties of Bangladesh; Democracy and Corruption; and Strengthening Fiscal Autonomy and Financial Accountability of Local Government in Bangladesh. Along with research, the programme also envisages a number of other activities including expert consultations, dialogues and workshops (in Bangladesh and Norway), trainings, publications and exchange of visits.

The **CPD-CMI Working Paper Series** is brought out to disseminate the findings of various studies carried out under the CPD-CMI programme.

Chr. Michelsen Institute (CMI)

Jekteviksbakken 31, 5006 Bergen, Norway
P.O. Box 6033 Bedriftssenteret, N-5892 Bergen, Norway
Telephone: (+ 47 47) 93 80 00
Fax: (+ 47 47) 93 80 01; E-mail: cmi@cmi.no
Website: www.cmi.no

Centre for Policy Dialogue (CPD)

House 40C, Road 32, Dhanmondi R/A
Dhaka 1209, Bangladesh
Telephone: (+ 88 02) 8124770, 9126402, 9141703, 9141734
Fax: (+ 88 02) 8130951; E-mail: info@cpd.org.bd
Website: cpd.org.bd