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**Decentralization in Bangladesh**

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# Bangladesh Case Study

In Asia, as in many other regions of the world, decentralization occurs in countries of all sizes and in highly diverse contexts. A few countries are large and have substantial and heterogeneous populations, while others are much smaller in area and have populations lower in number and less varied in composition. Some countries have attained middle income status, while others remain poor. A number of countries have some history of decentralization and democratization, while others have had little previous experience.

Despite the great variety, many Asian countries have chosen to pursue some form of decentralization. The way decentralization is structured and functions, however, is as diverse as the countries themselves, and not always in systematic ways. This variety results from considerable differences in country characteristics, histories and various political economy drivers that shape the dynamics underlying how public governance is managed.

In order to better understand decentralization in Asia, EC DEVCO B2 prepared a set of short case studies--on Bangladesh, Bhutan, Cambodia, Indonesia, Nepal, Pakistan, Philippines, Sri Lanka, Vietnam and Yemen. This note presents the case of Bangladesh.

Local governments in Bangladesh have been established since the country's independence from the British in 1971, but they continue to lack adequate power and capacity to play a strong developmental and governance role. Accountability mechanisms at the local level remain weak in Bangladesh, in spite of increased participation in local elections since 1994. Accountability of subnational administrative units is primarily upward to the central government. Fiscally, Bangladesh is highly centralized with local governments having little financial autonomy. There is increasing recognition amongst policymakers and civil society groups that further devolution of powers is needed at the local level in order to increase fiscal and administrative autonomy and develop accountability to improve citizen access to services at the local level.

## Underlying political economy context/drivers of decentralization

Bangladesh attained independence from Pakistan in 1971 and established itself as a unitary state. Since independence there have been various reforms around decentralization and increasing popular participation. The type and extent of these reforms is reflected in its changing political landscape. Bangladesh was ruled by various undemocratic regimes from 1975 to 1990. Political pressure from politicians and citizens led to the restoration of a parliamentary democracy in 1991, after which there has been a national election approximately every 5 years. Every government has either amended existing decentralization policies or introduced new ones. In Bangladesh, there is a tendency following a change in national government to create new local government structures and reverse the previous government’s reforms (Fox et al 2008). The root cause of this frequent change is the need for political parties to secure a local electoral base, which they can achieve by manipulating the distribution and jurisdiction of local elected officials (Thorlind 2001). In short, the dominant driver for decentralization in Bangladesh has been political rather than improved local service delivery or participation.

## Decentralization policy

Bangladesh recognized the potential importance of local governments at the outset, and this is enshrined in the 1972 Constitution of Bangladesh as follows: “Local government in every administrative unit of the republic shall be entrusted to bodies, composed of persons elected in accordance with law...” Further, the 1972 constitution mandates the transfer of power to local government bodies to “impose taxes for local purposes, to prepare their budgets and to maintain funds.”

Current decentralization policy is governed by several acts and ordinances, the most recent of which was passed in 2009 - the Local Government Acts 2009 which includes the Union Parishad, Upazila Parishad, City Corporation and Pourashava Acts (CLGF 2011). The most significant decentralization reform came from the military run government of General Ershad in 1982. Ershad created a new intermediate local government called Upazila Parishads which had an elected chairman and council members.

The Upazila Parishads effectively bridged the gap between the local governments and central administrative agencies and development activities were programmed at this level of government. The councilors running the Upazila Parishad were mainly members of Ershad’s party. They were able to govern large local electoral bases and were granted real resources for local development programing. The councilors soon conflicted with Members of Parliament for control over local electorates and therefore the success of the Upazila Parishads was short-lived. In 1992, Upazila Parishads were disbanded under the change in government and then reinstated in 1999.

## Basic structures, actors and mechanisms

Bangladesh remains fairly centralized in its distribution of functional and administrative authority to local governments. *There are three categories of local governments in Bangladesh:* rural, urban and hill districts. Rural local governments have three tiers. The highest is the Zila Parishads (ZP), followed by the Upazile Parishads (UPs) and the Union Parishads. There are two types of urban governments: city corporations and Pourashavas. The three hill district authorities are managed directly by the national Ministry of Hill Tract Affairs. The Ministry of Local Government and Rural Development and Cooperatives (MLGRDC) is responsible for overseeing local government legislation, including developing and implementing local regulations. Hill District Areas are managed by the Ministry of Hill Tract Affairs (CLFG 2011).

There are currently 64 ZPs, which primarily serve an administrative role. There are over 30 central government ministries and line agencies that have offices at the ZP level. Therefore the ZP is a deconcentrated administration unit of the central government. The Zila Parishad Act mandates that local government bodies should be elected bodies, but no direct ZP elections have been held to date, even at the recent 2014 elections (Shujan 2015). ZPs are run by an elected electoral college, which is composed of local government officials and staff who are appointed by the central government (CLFG, 2011).

Under Zila Parishads, rural local governments are further divided into 510 Upazila Parishads and 5000 Union Parishads. There is a legal basis for Upazila Parishad elections, the most recent during the 2014 national election (BSS News 2014). The Upazila Parishad serve as an intermediate government between the village-level Union Parishads and higher-level Zila Parishads. Actual levels of autonomy and authority are unclear (Fox et al, 2008). Union Parishads are directly elected; their governments consist of a full-time chairman and council members who are paid an honorarium that fixed by the central government. There are a number of reserved electoral seats for women.

Upazila Parishad and Union Parishads have planning roles and are responsible for a limited set of public services including primary education, water supply and solid waste management (CLFG, 2011). Planning functions are mainly undertaken by the Upazila Engineer and the Upazila Nirbhai Officer (UNO). The UNO is the chief administrator appointed by the central government, the UNO also acts as the Upazila Parishad chairman in the absence of an election. The UNO reports to the ZPs (Islam, 2002).

There are two types of urban governments, and both are single tiered. The 11 largest cities are administered as City Corporations by directly elected councils and a mayor. There are 315 smaller cities run by elected urban councils (and a mayor) called Pourashavas. There are three types of Pourashavas (A, B, C class) depending on the size of their revenue. Both City Corporations and Pourashavas have similar responsibilities, and fiscal and administrative authority. These governments are elected for five-year terms and have special provisions for women, who are also elected directly. Both Pourashavas and City Corporations are divided into wards for administration purposes; each ward must be represented in the Pourashavas and City Corporations Councils (CLFG 2011).

Urban local governments have the greatest degree of authority amongst all levels of local government. The central government can still wield power over these urban governments as they have the authority to shut down City Corporations and Pourashavas. They can also upgrade Pourashavas into city governments. In 2011, Dhaka City Corporation was split into two separate local governments and the central government was able to override the existing elected officials in Dhaka at the time (Islam 2012).

City Corporations and Pourashavas are responsible for a greater range of environmental sanitation services, public health services and primary education. They are not responsible for water supply, transport or town planning, all of which are directly administered by the central government. They are also responsible for all administrative staffing at the local government level, and Union Parishads can hire their own staff (CLFG 2011). While urban local governments have reduced service responsibilities, mayors within the urban local governments enjoy great decision-making power, including fiscal authority on local development projects (Islam 2012).

Fiscally, local governments are also dependent on the central government for transfers. Local revenues are income from property taxes and user fees on select services and tolls. Local governments can receive external funding in the form of aid or private donations (CLFG 2011). In urban local governments, it is estimated that approximately 1/3 of municipality revenue is own source revenue. The rest is provided in the form of donor grants, central government transfers and loans. City corporations receive a large portion of their financing from foreign aid and donor projects. The administration of the transfer of these funds to urban local governments, including foreign aid, happens through the Annual Development Program (ADP) block grant mechanism (Fox et al, 2008). Total local government revenues and expenditures though remain very low; local governments currently account for only 2% of all total public revenues and 3% of all total public expenditure, which is less that other South Asian countries (World Bank 2010).

There is almost no public consultation on major institutional and policy reform. When the Dhaka City Corporation was split into two entities in 2011, there was little consultation of local governments or citizens. There was also no referendum after the split, despite public opposition. This shows that power, even at the city government level, is still concentrated centrally (Islam 2012).

Decentralization policies in Bangladesh have differentiated between accountability and administrative efficiency. Vertical accountability of administrative and service delivery efficiency at the subnational level remains weak. Downward accountability mechanisms exist in law at the local government level through popular elections. Public participation is also mandated at Town Level and Ward Level Coordination Committees (Fox et al, 2008). Thus, there is a legal framework that allows for public scrutiny of local governments, but there is very little information on how often these committees are used and whether they are an effective repository for civic participation.

Other transparency measures include the Pourashava Act 2009, which mandates urban governments to publish citizen charters, informing residents of current projects. The Local Government Right to Information Act of 2009 also provides citizens the right to demand access to local government budgets and plans. Both measures are contingent on local governments proactively publishing their plans, budgets and other documents.

Since most senior staff in local governments, especially in city governments, are appointed by the central administration, accountability tends to be upward. Lack of coordination between ministries and city departments also makes horizontal accountability difficult. Downward accountability to citizens around service provision is further complicated by complex institutional arrangements for service delivery.

## Decentralization outcomes

From a service delivery perspective, reviews have suggested that local governments in Bangladesh have not been able deliver services very effectively and in a fiscally efficient manner. These reviews have been based on anecdotal evidence, and there are almost no recent empirical studies that have been undertaken to understand decentralization outcomes. The root cause for poor service delivery is attributed to local governments having a limited functional and planning authority, technical resource capacity and financial autonomy. In addition, despite the transparency measures noted above, allegations of corruption, especially amongst urban local bodies is quite common

As mentioned in the previous section, local governments are responsible for very few service areas. For services that they are responsible for, the central government often appoint staff, regulate fares and licensing of private operators and undertake all monitoring activities. Urban governments have representation on relevant central government boards, but their influence in practice is very limited. Therefore there is limited reflection of local public interests and needs in the planning and delivery of public services that are administered by the central government (Fox et al, 2008). The services offered by central government have been known to exhibit inefficient delivery, as there is a lack of coordination among the institutions and ministries involved. Local governments have no power or leverage to influence this situation (World Bank 2009).

Services that are provided by local governments are also fraught with administrative and fiscal hurdles. For example some Pourashavas are responsible for providing water supply but do not have for al authority over the service. Senior roles in Pourashavas are appointed by the central government and are known to disrupt the ability of Pourashava staff to manage their service delivery. Local governments do not have sufficient revenue to manage their service delivery obligations and there is poor efficiency in tax collection (Asian Development Bank, 2012). Most of local government funding comes from central government transfers, loans and foreign aid. Revenue and expenditure information is not available by specific service. This makes it hard to estimate the efficiency of service delivery at the local level (Boex 2012). There is a legal precedent allowing municipal governments to borrow external funds for local development projects after acquiring the necessary central government permission; borrowing almost never happens in practice.

There are almost no studies that indicate the type or extent of regional variations in service delivery, but there are some studies on equity of distribution of services. The urban poor do not get proportional access to services either from the central government or the city governments (Islam 2012). Citizens also do not have a positive view of local governments. A survey conducted in urban governments, both municipalities and city corporations, showed that 60-65% of respondents said they were dissatisfied with the services that were provided to them by their municipality. Their main reason for dissatisfaction was poor quality service, followed by the high politicization of municipal affairs. The main areas for dissatisfaction were sanitation and drainage, water supply and lighting (Bhattacharya et al 2013). The first two services fall under central government administration, and the later falls under local government administration (CLGF 2011).

Civic participation has increased as the result of decentralization in Bangladesh, however increased participation alone is not enough to ensure improved service delivery at the local level (Earle et al, 2010). In rural areas, UPs that solicit local participation are said to be more likely to have a more efficient service. A comparative study on health care access in two UPs found that the UP that invested in bringing in local participation in developing the health services has more responsive service, and residents were more aware of the range of services available at the health care center. The UP that conducted the local participation had a population with better health indicators (Faguet et al 2007).

Participation in local elections is also an important form of civic participation. Here UPs have a better voter turnout than elections in urban areas. During the 2014, UP elections, there was a 62.44% voter turnout, a small drop from 68.32% in the 2009 UP elections (Dhaka Tribune 2014). Local participation in city corporations has not been as successful, recent mayoral elections in Dhaka and Chittagong had an estimated voter turnout of 5%. In addition to this, the opposition party withdrew their candidacy in protest as they accused the incumbent local government of voter intimidation and voter rigging (Reuters 2015).

While income poverty has decreased from 59% in 1992 to 31.5% in 2010, particularly due centrally administered programs in education and poverty reduction, income inequality has increased in urban areas. The main reason for the rise is inequitable access to urban services. Development programs are primarily under the jurisdiction of the central government, especially with programs pertaining to access to food and education or are directly administered by development agencies.

There has been an increase in development agencies working to improve local service delivery through capacity building, increasing civic participation and local government transparency. Examples include the Urban Governance and Infrastructure Improvement Program (UGIIP), which was designed and executed by the Asian Development Bank and the Local Governance Support Program by the World Bank. These projects have been instrumental in influencing local development policy, including supporting the Local Government Acts of 2009 (Asian Development Bank 2012). A recent performance report form the Local Governance Support Project found that 75% of basic block grants to UPS complied with undertaking a clean audit, including public participation in preparing the budget and producing a bi-annual report (World Bank 2015).

A major pitfall of external development funding on large local development programs, like in Bangladesh, is that it is difficult to control the amount and frequency of funding (Crook et al, 2000). Recent reforms in the civil service, on part due to development agency involvement, have led to the development of more pro-poor reforms, however it is too soon to assess the efficiencies of these programs and how effectively local governments are involved in their planning or implementation (Earle et al, 2010)

## The evolution of decentralization and local government performance

It is evident from the literature available on decentralization in Bangladesh that local government reform has not been strongly motivated by providing improved access to public services, and has instead been a function of political dynamics. This has resulted in frequent changes to the levels of decentralization and limited real power handed to local governments to flourish.

From a functional, administrative and fiscal perspective Bangladesh remains a highly centralized state. Therefore, there are limited positive outcomes from decentralization during the last four decades. The prominence of the central government in local government planning and administration is a great challenge. Studies have shown that decentralization in Bangladesh has mixed results when it comes to governance; there has been an increase in participation, but there is inefficient resource allocation and transparency and accountability mechanisms are also not fully developed. Local government performance in service delivery is plagued by lack of adequate funding, resource capacity and planning authority.

There are currently two possible influences that could lead to improved decentralization outcomes in Bangladesh; there is ongoing debate amongst civil society groups regarding how to demand moving to a more decentralized governance system. This stems from citizens wanting to engage more in the planning process and frustration with the current state of governance in Bangladesh. The second factor that is already leading to incremental changes is the role of development agencies in increasing local government capacity. Considering this precedent for change, Bangladesh could introduce better citizen engagement systems, where citizens can participate in the planning and budgeting process and hold governments accountable for service delivery. A truly independent observer could be used in local elections to reduce the incidence of election related corruption and instill faith amongst the public for an open and fair election.

There is also considerable value to studying the institutional, societal and political links between taxation, service delivery and accountability. Once these connections are understood it the information be used to inform decentralized fiscal policy including increasing own source revenues through local taxes, reducing transfers and preventing any type of double taxation or inconsistent policies (Fjeldstad 2014). Such efforts, of course, would need to be linked to the functional responsibilities of local governments.

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