

Local government and economic empowerment

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Local Government Division's (LGD) allocation, no matter whether direct, developmental assistance and total, shows a general downward trend.

The existing laws provide the areas where the LGIs are sharing resources generated locally with the national government. Thus, revenue coming from the local level is supposed to be generally predictable and sustainable. However, there is paucity of data of revenue coming from LGIs to the national government. Even though MTBF should provide both the revenue and expenditure data by ministry and operational units, it only details out expenditure data by units. The amount of revenue generated from LGD is notable but it demonstrates a declining trend.

The two major streams of fund flow from the government to City Corporations are LGD, and other min-

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istries, divisions and agencies (MDAs). The government has funding arrangement through "block allocation for development assistance to city corporations" in which city corporations get development funds. Alongside this, there is an option of discretionary fund in the name of "special grant" from the government, the amount of which is determined by special (read political) considerations, as per City Corporation officials and elected representatives. The city corporations also get a portion of land transfer tax within their perimeters as defined by their respective laws.

The amount of this tax received by City Corporations varies significantly between corporations in amount and ratio of direct transfer from the government. However, the share of land transfer tax in direct transfer from the government varies greatly, from as high as two-thirds of Dhaka North to only about two percent in Khulna City Corporation. On the other hand, direct transfer from the government is quite high in only Khulna and very low in three other City Corporations. They also get a small amount of budget for operational unit.

According to the latest available information, Dhaka North and Narayanganj City Corporations have been found to be financially highly solvent. Only about 13 percent of total revenue of Dhaka North City Corporation came from the government's grant in FY2015-16. Conversely, Narayanganj City Corporation has demonstrated its capacity to become quite solvent in financing development projects since about two-thirds of the funds are coming from foreign sources only, which has also been exceptional among the studied city

corporations. However, development projects financing through public-private partnership (PPP) is only seen in Dhaka North.

Among the different categories, the A-category municipalities are in a better financial position due to strong basis of internal resource mobilisation from own assets, better tax base and higher special grants from the government. They also get a range of development projects and funds. The municipalities in B and C categories remain in weak financial position — they are unable to even pay salary and allowances to their employees regularly. Most of the municipalities including ones of A-category depend heavily on the development receipts from the government and donor projects to their total expenses. No particular pattern is revealed in direct development allocation by the government which includes regular and special grant. Government grant ranges from Tk 0.75 to 16 crore, which depends on, as per the opinion of the interviewees, the size of special grant due to political influence and discretion.

From the latest budget information of 29 Zila Parishads spread over all the administrative divisions, it is revealed that a Zila Parishad received on average Tk 27 crore as revenue, in which about 41 percent is their own fund. Among the divisions, the average revenue received by a Zila Parishad also varies significantly in the categories of own funds, government grants, income from various sources and total revenue.

Unlike the other tiers of the LGIs, the flow from and to upazilas is quite complicated. This is because there are three types of institutions that function on a parallel basis at upazilas, viz., UZP having revenue and development expenditures, 17 transferred departments, and about 17 additional non-transferred departments that

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