

## Local government and economic empowerment

CONTINUED FROM PAGE 11

operate in upazilas that earn revenue from and spend at upazilas. The transferred departments have been found to be spending more in non-ADP developmental areas than revenue spending. UZPs spend quite a small amount compared to the transferred departments. All parishads, including UZP, UP and Paurasabha, jointly spend a very small amount of money in an upazila compared to transferred and non-transferred departments.

Despite many innovations and practices along with legal bindings of performance-based allocation mechanism, UPs are still heavily dependent on the government support directly from the national level and other tiers of local government, viz. upazila. With very few exceptions, government support is overwhelming majority of total revenue in most of the UPs despite the fact that the law has empowered the UPs to generate revenue from many local sources including holding tax, market-

**Medium-term financing requirement for all LGIs should be analysed before the upcoming budget 2017-18 and it should then be adjusted with the resource planning for implementing the Seventh Five Year Plan 2016-2020. The budgetary projections for LGIs in the MTBF seem to be ineffective quite notably.**

places and open water bodies, and even renting out a part of its own complex.

Overall, the share of resource transfer for LGIs as the proportion of LGD's budget has been declining from 17.57 percent of FY2013-14 to 13.66 percent of 2016-17, which indicates gradually weakening state of resources for them. The share further goes down in the MTBF projection up to FY2018-19 (only 5 percent of LGD's budget). Thus, there seems to be a contradiction between the pledges on local government made in the Perspective Plan 2010-2021, which was formulated in line with 'Vision 2021' and the indicative allocation for LGIs from the government.

The above discussion reveals that there is a serious need for reforming the current pattern of LGI financing in order to promote their economic empowerment. First, medium-term financing requirement for all LGIs

should be analysed before the upcoming budget 2017-18 and it should then be adjusted with the resource planning for implementing the Seventh Five Year Plan 2016-2020. The budgetary projections for LGIs in the MTBF seem to be ineffective quite notably. Also, indication for financing LGIs is absent in the process of medium-term national development planning. Unless there is no commitment for allocation in the Five Year Plan, the MTBF documents cannot translate it into financial allocation and projections for the medium term. MTBF will also convert it into the specific project-based and operational fund requirement for each of the LG tiers and conduct projection for the medium term. This will work as a primary basis for realising sustainable and predictable basis for financing LGIs.

Introducing index-based financing mechanism for LGIs is required.

Currently, there is no financial distribution policy of the LGIs in Bangladesh, which leads to 'special' and discretionary allocation. Coupled with uneven distribution of shared immovable property transfer tax, it again results in acute horizontal inequality of financing local government bodies. However, introducing such a policy would require time and can be materialised in the medium term, and the immediate task should be to introduce an index-based funding mechanism for distributing fund among the LGIs. It would work as a scientific foundation for developing financial distribution policy of the LGIs in the country.

Finally, the government should consider constituting an independent Local Government Planning and Financing Commission. It would comprise of technical experts on local government, planning and public financing. It would develop a window for the

The government should consider constituting an independent Local Government Planning and Financing Commission. It would comprise of technical experts on local government, planning and public financing. It would develop a window for the parliament, civil society organisations, universities, think tanks, and donor community working on local governance.

parliament, civil society organisations, universities, think tanks, and donor community working on local governance to formulate the basis of predictable, sensible and sustainable financing for LGIs. It can regularly hold participatory consultation with LGIs and other stakeholders, and help prepare planning documents for different LG tiers. Such a commission can provide indicators for MTBF through the Five Year Plan, Ministry Business Strategy and multi-year public investment programmes that have relevance for LGIs. With such a comprehensive approach of resource transfer, the government can materially improve the performance and effectiveness of local government in Bangladesh.

The writer is Acting Research Director, Bangladesh Institute of International and Strategic Studies (BISS). E-mail: mahfuzkibir@yahoo.com



## Heartiest felicitations to The Daily Star on their 26th anniversary



- Hansol**   **JEONJU PAPER**   **Catalyst**   **BOHUI PAPER**   **Kodak**  
**manroland**   **huber group**   **x-rite PANTONE**   **KONICA MINOLTA**   **BOBST**  
**ZUNO**   **Pidilite**   **Chevron Phillips**   **LOTTE CHEMICAL**   **HYOSUNG**

And Many More Printing & Packaging Solutions

**ZEESHAN INTERNATIONAL AGENCIES PVT LTD**  
South Avenue Tower | 2nd Floor | 7 Gulshan Avenue | Gulshan-1 | Dhaka-1212 | Bangladesh.  
Phone: +880-2-9896017 | 9849179 | 9845764 | 9845799 | Fax: +880-2-9896019  
E-mail: info@zeeshangroup.com | website: www.zeeshangroup.com

আমরা এনেছি আপনাদের জন্য ১০০% হালাল এবং ন্যাচারাল এছৌ পণ্য



Now available at



Organic Agro & Dairy products

Call us: + 880 1709654126, + 880 1709654127

Visit us: House no. 80/A, Block B, Kemal Ataturk Avenue, Banani, Dhaka

www.facebook.com/paramountagro

**PARAMOUNT TEXTILE**  
A Yarn Dyed Woven Fabric Manufacturer  
Since 2006

**PARAMOUNT INSURANCE**  
Specialized in Marine, Fire and Industrial  
all Risk Policy  
Since 1999

**PARAMOUNT AGRO**  
Organic food, healthy food

**FOODEX INTERNATIONAL**  
Represents Brand and Distributor  
Since 1990