WELCOME

Presentation on Governance Reform to Improve Local Finance in Secondary Towns in Bangladesh
Global Urban Issues

- Urban population & density
- Urban water supply and wastewater
- Urban Waste Management
- Climate Change and Air Pollution
- Energy, Environment and Development
- Related Institutions and Links
- Public Health Problem
- Urban services
Urban population is 2.6 billion, 1.7 billion in developing countries.

National Goals of Bangladesh

- Economic Development
- Poverty Alleviation
- Food Security
- Public Health and Safety
- Decent standard of living for the people
- Protection of the National Environment
## Issue: Urban Sector

### Rapid urbanization – Demographic

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Popu (Million)</th>
<th>Growth Rate (%)</th>
<th>Urban Popu (%)</th>
<th>Urban Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>55.20</td>
<td>-</td>
<td>2.60</td>
<td>-</td>
</tr>
<tr>
<td>1974</td>
<td>76.40</td>
<td>2.50</td>
<td>6.00</td>
<td>6.60</td>
</tr>
<tr>
<td>1981</td>
<td>89.90</td>
<td>2.40</td>
<td>14.10</td>
<td>10.60</td>
</tr>
<tr>
<td>1991</td>
<td>111.45</td>
<td>2.17</td>
<td>22.45</td>
<td>5.40</td>
</tr>
<tr>
<td>2001</td>
<td>129.25</td>
<td>1.48</td>
<td>28.80</td>
<td>4.20</td>
</tr>
</tbody>
</table>

### Number of Urban Centers by Size (1961-2001)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All sizes</td>
<td>78</td>
<td>108</td>
<td>491</td>
<td>522</td>
<td>522</td>
</tr>
<tr>
<td>Less than 24,999</td>
<td>54</td>
<td>65</td>
<td>409</td>
<td>405</td>
<td>379</td>
</tr>
<tr>
<td>25,000-100,000</td>
<td>20</td>
<td>37</td>
<td>66</td>
<td>92</td>
<td>117</td>
</tr>
<tr>
<td>100,000-999,999</td>
<td>4</td>
<td>5</td>
<td>14</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Above 1 million</td>
<td>-</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
Level of Urbanization in Bangladesh

Urban Population (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>12</td>
<td>20</td>
<td>25</td>
<td>35</td>
<td>40</td>
<td>45</td>
</tr>
</tbody>
</table>
Key Urban Issues in Bangladesh

- In Bangladesh, cities and towns are playing a crucial role in the national development.

- At present, urban dwellers constitute 26% of the total population and their contribution to GDP is more than 45%.

- Sustainable urbanization is crucial for sustainable development in Bangladesh.

- Urbanization in Bangladesh is also characterized by a spatially unbalance pattern.
Issue: Urban Sector
Growing Deficiencies

- Access to safe drawing water 45%
- Solid waste collection 20%
- Severe traffic congestion
- Distorted land and housing market
Issue: Urban Sector

Urban Poverty

- 60% urban population below poverty
- Low level of basic infrastructure and services
- Small size and weak structure – dwelling
- Vulnerability to natural hazards
- Lack to tenure and land
Issue: Urban Sector
Decentralization and capacity building

- High central control
- Budgeting and investments made by central government
- No clear strategy for capacity building
Issue: Urban Sector
urban land and housing

- 30-50% live in marginal informal settlement
- Land market dysfunctional
- Unable to meet demand
- Burdened by excessive regulations and taxation
- Complex tenure/ownership system
- Poor land records
- Long procedural delays in transfer system
- Large government landholdings in urban areas
Issue: Urban Sector
Financial of Infrastructure/Services

- Heavily dependent on central government
- Limited authority for resource mobilization
- Lack of capacity
- Old management system
Key Problems of Urban Development

- Urban infrastructure has not kept pace with rapid urbanization
- Rapid urbanization includes environmental degradation, growth of slums and squatters
- The poverty ratio in urban area is around 30%
- Urbanization overwhelming concentration of population in a few metropolitan areas
- Population and economic activities in a few metropolitan areas will further aggravate without proper management and development of Municipalities
EXISTING LOCAL GOVERNMENT STRUCTURE IN BANGLADESH

Ministry of Local Government, Rural Development and Co-operatives

Rural
- Union Parishad
- Upazila Parishad
- Zila Parishad

Urban
- Pourashava
- City Corporation
### MUNICIPALITIES IN BANGLADESH

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Corporation</td>
<td>6</td>
</tr>
<tr>
<td>Municipalities</td>
<td>309</td>
</tr>
</tbody>
</table>

#### Municipalities Number

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Category</td>
<td>02</td>
</tr>
<tr>
<td>A Category</td>
<td>84</td>
</tr>
<tr>
<td>B Category</td>
<td>78</td>
</tr>
<tr>
<td>C Category</td>
<td>145</td>
</tr>
<tr>
<td>Total</td>
<td>309</td>
</tr>
</tbody>
</table>
Present Institutional Scenario of the Municipalities

- Heavily dependent on the central government's grant
- Revenue base limited
- Capacity of administration and collection of taxes is seriously deficient
- Municipal autonomy over financial resources is restricted
- Administrative and institutional framework is multi-layered
- Functional responsibilities for the capacity building of the municipalities are not well defined
- Lack of trained and skilled staff
Role of Local Government Engineering Department

- From early 80’s, LGED has undertaken programmes for development of urban infrastructures and services

- LGED has expanded its activities to include water supply, sanitation and sewerage

- More recently, LGED has also been involved in enhancing the institutional capacity of municipalities, and develop capacity of the local governments
Strategy for Urban Project: LGED

LGED URBAN PROJECT

Physical Infrastructure support

Institutional Development Support
Institutional Development and Policy Support: LGED

- P/MPRC
  - Policy support to GOB

- UMSU/RMSU
  - Performance Monitoring, Evaluation, Analytical Exercise

- MSU
  - Capacity Building support
Institutional Development Within LGED

PSU

ADB

Word Bank

MSU

UMSU
Strategy : Support Unit Function

Provision of technical support for capacity building mainly through its regional units

Evaluation and monitoring of municipal performance

Provision of technical and policy relevant support to P/MRC to further the process of municipal reform
Experience of Urban Project in LGED

Projects:
Secondary Town Infrastructure Development Project (STIDP-I): 1990
Secondary Towns Infrastructure Development Project (STIDP-II): 1995

Experience
Physical improvement cannot be sustained unless the underlying issues of governance are addressed properly
Urban Governance and Infrastructure Improvement Project (UGIIP) Started in 2003.
Urban Governance and Infrastructure Improvement Project (UGIIP)

Approach of UGIIP

- It is a performance based project
- Implementation of UGIAP is prerequisite for funding of infrastructure facilities

Goal of UGIIP

Promote human development and good urban governance in municipalities and support them to lead sound and balanced urban development
Objectives of UGIIP

- Enhance accountability in municipal management & strength their capabilities in the provision of municipal services.
- Develop and expand physical infrastructure and urban services to increase economic opportunities, reduce vulnerability to environmental degradation, poverty and natural hazards.
- Promote active participation of women citizens in municipal management and services both as beneficiaries and agent.
- Benefit the entire urban community in general and to focus on upgrading conditions of the poor living in slum areas.
Component of UGIIP

**Components**

- **Part A: Urban Infrastructure Improvement**
  - (i) roads and bridges
  - (ii) storm water drainage
  - (iii) low-cost sanitation
  - (iv) solid waste management
  - (v) municipal facilities (e.g. bus & truck terminals, kitchen markets & slaughterhouses)
  - (vi) slum improvement

- **Part B: Urban Governance Improvement**
  - (i) citizen awareness and participation
  - (ii) women’s participation
  - (iii) integration of the urban poor
  - (iv) financial accountability and sustainability
  - (v) administrative transparency

- **Part C: Capacity Building & Implementation Assistance**
  - (i) project management, Detailed Engineering Design (DED), construction supervision, NGO support to community-based activities, and facilitation of community mobilization
  - (ii) institutional capacity building program for Paurashavas

**Activities**

**Executing Agency**

- **LGED**
- **Municipality**
- **LGED**
- **UMSU**
Urban Governance Improvement Action Program (UGIAP)

- Citizen Awareness and Participation: Activity = 7 nos
- Women’s Participation: Activity = 6 nos
- Integration of the Urban Poor: Activity = 8 nos
- Financial Accountability and Sustainability: Activity = 8 nos
- Administrative Transparency and Accountability: Activity = 6 nos

Total Activity - 35 nos

Task
Responsibilities
Time Frame
Financial Accountability and Sustainability: A successive area of activity of UGIIP

The main purpose:

- Increased Pourashava’s financial situation
- Pourashava proceeding towards self-reliance
- Modernized tax management system introduced
<table>
<thead>
<tr>
<th>No.</th>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Holding tax</td>
<td>Increase holding tax collection efficiency each year by 10% (upto 80%)</td>
</tr>
<tr>
<td>02</td>
<td>Other own source collection</td>
<td>Increase other own source collection compared to previous year</td>
</tr>
<tr>
<td>03</td>
<td>Re-assessment and interim assessment</td>
<td>Conduct Reassessment at each 5 years and also conduct interim assessment each year</td>
</tr>
<tr>
<td>04</td>
<td>Budget reservation for O&amp;M</td>
<td>20% of Development Budget</td>
</tr>
<tr>
<td>05</td>
<td>Regular payment of electric bill</td>
<td>Regular payment of 60% of arrear and 80% of current electric bill</td>
</tr>
<tr>
<td>06</td>
<td>Regular payment of telephone bill</td>
<td>Regular payment of 60% of arrear and 80% of current telephone bill</td>
</tr>
<tr>
<td>07</td>
<td>Computerization tax record</td>
<td>Computerization tax record and collection of taxes through designed bank.</td>
</tr>
<tr>
<td>08</td>
<td>Computerization accounting record</td>
<td>Computerization accounting record and preserved current and yearly accounting status</td>
</tr>
</tbody>
</table>
Increases Holding Tax Demand & Collection

- In the FY 2003-2004 Holding tax demand of 27 Paurashavas was Tk. 13.80 core
- In the FY 2007-2008 the demand increased up to Tk. 27.66 core
Increase other own sources collection

- In the FY 2003-2004 own sources collection of 27 Paurashavas was Tk. 30.96 core
- In the FY 2007-2008 the own sources collection was Tk. 62.66 core
Acceleration of Opening Balance

- In the FY 2003-2004 opening balance of 27 Paurashavas was Tk. 10.16 cores
- During 5 year the expenditure was 105 cores in infrastructure development work
- In the FY 2007-2008 opening balance was Tk. 28 cores
A Case Study: Narayangonj Paurashava

- Low revenue
- Low confidence
- Persistent Problem

(Vicious Cycle of Low Revenue)

Low spending
A Case Study : Narayangonj Paurashava

(Outcome by the intervention of UGIIP)

Opening Balance

- Tk. 10.16 million on 01 July 2003
- Tk. 67.24 million on 01 July 2008 (After spending Tk. 210.18 million for development work)
The fundamental reason for the massive increase in local tax and revenue generation in the project Pourashavas boils down to reform in governance.

The reform in governance of the Pourashavas is reflected in increased capacity, transparency, accountability, responsiveness of the Pourashavas and creation of participatory mechanisms for involvement of various stakeholders of urban people including women.

Augmented local resource generation by the project Pourashavas was thus, in essence, a consequence of reform in governance.
Reform Practices for Improved Municipal Finance: Intervention of UGIIP

**Technical assistant**
- Tax assignment
- Computerize billing system
- Computerize account system
- Preparing Municipal inventory
- Resource mobilization

**Awareness Rising**
- Rally
- Media publicity
- Newspaper
- Postering
- Milking etc

**Finical Support**
- Grant from central government
- Loan approval
- Donor support

**Enforcement of Law**
- Reminder to tax defaulter
- Magisterial action
- Cheese goods

**Group Formation**
- TLCC
- WLCC
- CDC
- SIC
- TPU
- GESC etc

**Logistic support**
- Computer installation
- Printer setup

Strengthen Municipal Finance
Reform in governance is essential for financial sustainability in the Municipality of Bangladesh.
Thank You
Financial Accountability and Sustainability: activity
Financial Accountability and Sustainability: activity