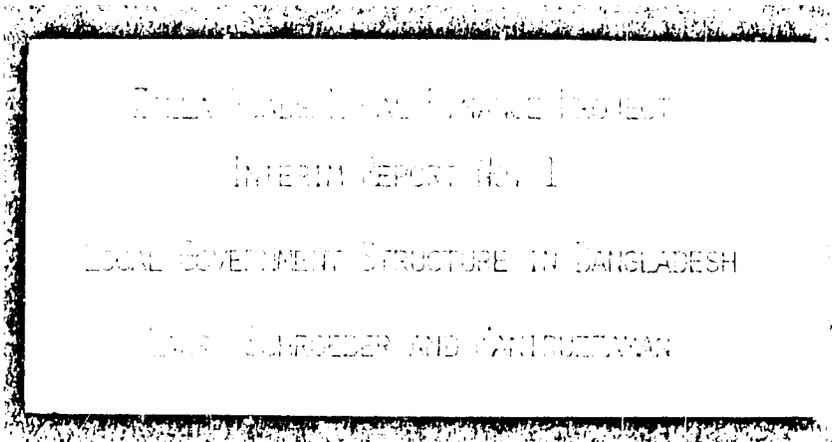


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Local Revenue Administration Project

Metropolitan Studies Program
Maxwell School of Citizenship and Public Affairs
Syracuse University

ZILLA ROADS/LOCAL FINANCE PROJECT
INTERIM REPORT NO. 1
LOCAL GOVERNMENT STRUCTURE IN BANGLADESH
LARRY SCHROEDER AND MANIRUZZAMAN

METROPOLITAN STUDIES PROGRAM
THE MAXWELL SCHOOL OF CITIZENSHIP AND PUBLIC AFFAIRS
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PREFACE

This paper is the first in a series of interim reports issued through the Bangladesh Zilla Roads/Local Finance Project. The paper describes the structure of local government in Bangladesh and includes a discussion of the linkage between the administrative structure of the Central Government and local government bodies. Attention is focused on the spending responsibilities and revenue patterns of each level of local government-- zilla parishads, thana parishads, union parishads and paurashavas.

Obviously, before any in-depth study of local governments can be undertaken, the overall structure of these bodies must be understood. While the paper is not intended to recommend specific structure reforms, it does point out several important issues that will have to be addressed throughout the course of the project. Still, its principal contribution is its description of the context in which policy recommendations will be made.

Describing the structure of local government in Bangladesh is a challenging task since the structure is undergoing constant change. There have been numerous alterations in local government organization since the new government came to power in March, 1982 and there are many rumors that additional changes may be undertaken even before the end of 1982. This paper notes these modifications wherever possible, but it is recognized that even the most current information may soon be out of date. On the other hand, since the skeletal structure of local governments in Bangladesh has not changed to a great extent since the British colonial period, we anticipate that the overall framework will remain intact for some time to come.

The Local Finance Project is one component of the Bangladesh Zilla Roads Maintenance and Improvement Project (Project Number 388-0056) and is intended to increase the capacity of local governments in Bangladesh to mobilize and effectively administer financial resources. While a Final Report will be issued at the close of the project, these interim reports are being released as the analysis occurs. It must be emphasized that any findings and conclusions contained herein are provisional and may be altered by the time the integrated Final Report is issued (scheduled for September, 1983). The work is supported by the United States Agency for International Development, Washington, D.C. under Cooperative Agreement (AID/DSAN-CA-0198). The views and interpretations in this publication are our own and should not be attributed to the United States Agency for International Development.

Maniruzzaman is a Research Specialist at USAID, Dhaka. A significant portion of the current paper is drawn from his earlier paper, "The Functioning of Local Government in Bangladesh" (USAID, 1981).

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LOCAL GOVERNMENT STRUCTURE IN BANGLADESH

The structure of local government in Bangladesh is complex, largely because of the shared responsibility between central and local governments for administering and financing different public sector functions. This paper describes the local government structure in Bangladesh emphasizing the linkages and hierarchy which it contains.¹ In addition, the paper outlines the types of expenditures and revenues assigned to each level of local government.

The overall structure of administrative and local government hierarchy is outlined in the following section. That background discussion is followed by sections devoted to the zilla parishad, thana parishad, union parishad and paurashava--the four types of local government found in Bangladesh. Included in the discussion of each of these local government levels are outlines of the principal expenditure functions assigned to each, the sources of revenue utilized by each and major features of financial administration.

OVERALL STRUCTURE

In studying government structure in Bangladesh, it is necessary to begin by distinguishing between the central government ministries that

¹A more detailed, but similar, overview of the structure of local government in Bangladesh is provided in Ali Ahmed, Administration of Local Self-Government for Rural Areas in Bangladesh (Dacca: Local Government Institute, 1979). For a detailed bibliography on this subject, see Salahuddin M. Aminuzzaman, Local Government and Administration in Bangladesh, A Selected Bibliography (Dacca: Center for Administrative Studies, 1981).

extend services to rural and urban areas on the one hand and local governments on the other. This is the familiar distinction between administrative deconcentration and governmental decentralization.

Administrative Hierarchy¹

Central government ministries are organized hierarchically with the secretariat at the apex. Below are the division, district, sub-division and thana (Figure 1).

Secretariat. The secretariat, located in Dhaka, is the highest administrative authority, responsible for the issuance of all rules and regulations related to the organization and operation of the lower levels of administration. It consists of all ministries. While each ministry is headed by a minister who is politically appointed, the permanent head of the ministry is known as the secretary who is a senior civil servant and a member of the establishment division.² He is assisted by several officers including additional secretaries, joint secretaries, deputy secretaries and section officers. Under the current rules (which date from the turn of the century), the secretary and officers immediately below him cannot serve in a ministry for more than 3 years and are sometimes transferred more frequently. This means that the administrative decision-makers within ministries tend to be generalists rather than technical experts within the

¹Administrative organization in Bangladesh is well explained and critiqued in Ali Ahmed, Basic Principles and Practices of Administrative Organization: Bangladesh (Dacca: National Institute of Local Government, 1981).

²The establishment division is the civil service organization to which all career bureaucrats belong.

FIGURE 1
ADMINISTRATIVE HIERARCHY IN BANGLADESH

<u>Level</u>	<u>Chief Administrator</u>	<u>Number in Country^a</u>
Secretariat	Permanent Secretary	1
Division	Commissioner	4
District	Deputy Commissioner (DC)	20
Sub-Division	Sub-Divisional Officer (SDO)	71
Thana	Circle Officer (CO)	474 ^b

^aAs of July, 1982.

^bThere were 469 thanas listed in the 1981 Census of Population. The additional nine were created subsequently.

particular functional area associated with the ministry, e.g., agriculture, fisheries or local government.

The secretariat is the policy-making body within ministries. Implementation of these policies is carried out by the directorates and departments of most ministries.¹ Personnel attached to these directorates are posted at the divisional, district, sub-divisional and thana levels.

Divisions. The country is divided geographically into four divisions with the principal administrative officer at this level being the commissioner.² Departments also maintain branch offices at the divisional level with the commissioner acting as the coordinating officer. Government service programs are not implemented at the divisional level; instead divisional-level personnel review and approve programs implemented at lower administrative levels.

Districts. There are currently twenty districts which serve as the key administrative level since the implementing directorates of all nation-building ministries maintain staff at this level and the majority of development expenditures are either channelled through or approved by

¹These offices are usually headed by specialists, e.g., engineers. Whether this dichotomy between the generalists and specialists within ministries is conducive to the smooth functioning of the organization is a matter of debate. See Ali Ahmed, Basic Principles and Practices of Administrative Organization: Bangladesh, pp. 5-9; and A.M.A. Muhiith, Thoughts on Development Administration (Dacca: BRAC, 1981), pp. 50-14.

²Divisions may be abolished in the near future under administrative reforms designed to decentralize administration. This was apparently one of the recommendations made by the Committee for Administrative Reorganization/Reform which presented its Report to the government in July 1982.

district-level personnel.¹ The deputy commissioner (DC) is the principal central government officer in the district.² His functions include coordination of development activities within the district, collection of land taxes, administration of land laws, and the fostering of local government. He is assisted by 3-5 additional deputy commissioners as well as line officers from the nation-building ministries (directorates).

Sub-Divisions. Each district is divided into sub-divisions--usually three to five--which are headed by a sub-divisional Officer (SDO).³ The SDO's position and functions at the sub-divisional level are similar to those of the DC at the district level. The sub-divisional level contains administrative staff from most of the nation-building ministries and, like the district level, coordinates development work which is carried out by the next lower level--the thana.

Thana. There are usually six to ten thanas within each sub-division. Like the district and sub-divisional levels, the thana contains staff of the nation-building directorates, with at least one representative from each. The coordinating officer at the thana level is the circle officer/development (CO).

¹The number of districts is expected to increase by 50-55 under the new decentralized administrative structure. According to a report in the Bangladesh Times (September 10, 1982, p. 1), this is to occur before the end of the year with former sub-divisions upgraded to district status.

²For a thorough discussion of district-level administration including details regarding the functions of the DC, see Qazi Azher Ali, District Administration in Bangladesh (Dacca: National Institute of Public Administration, 1978).

³This administrative level would, apparently, become extinct if the previously-cited administrative alterations are carried out.

The thana is the level of central government administration most frequently contacted by the population at large and, under the currently proposed decentralization plan, is to become the basic administrative unit. Among the functions supplied at the thana are the services of police, health, agricultural extension and credit and the acquisition of agricultural inputs, e.g., seed and fertilizer, through the Bangladesh Agricultural Development Corporation (BADC).¹ Thana level field staff directly carry out the programs of the central government.

Divisional Development Board. While neither a local self-government nor a part of the central government administrative structure, the Divisional Development Board (DDB) has played an important role in financing projects implemented by local governments. Each of the four divisions of the country has a DDB and, until mid-1982, there were two additional boards--the Haor Development Board and the Off-shore Island Development Board (these two were abolished by the new government). The boards, formed in 1975, are attached directly to the Cabinet Division and originally consisted of the commissioner as board chairman, the deputy commissioners plus five other directors appointed by the government. In 1980 a minister was made chairman of each board and one MP per subdivision was placed on the DDB by the government.

The DDB contains no staff of its own. Instead it considers schemes from the various jurisdictions within the division and allocates funds provided from the central government. While apparently all local

¹According to the Bangladesh Times (September 25, 1982, p. 1), primary education will also be brought under thana administration.

governments are eligible to receive these monies, the bulk of the funds flow to zilla parishads and paurashavas.¹

Local Government Units

Local government has a long history on the subcontinent.² Even before the British era, village panchayats (councils of elders) took responsibility for rural administration. Formal local self-government during the British rule can be traced to the Bengal Local Self-Government Act of 1885 which was the outgrowth of Lord Ripon's proposal to establish elected local government bodies throughout the country. Under the Act, three levels of local governments were established--district boards, local boards and union committees.

This three-tier system was altered by the Village Self-Government Act, 1919 which established in rural areas a two-tier system of governments consisting of district boards and union boards. This general system continued after the founding of East and West Pakistan in 1947.

The next major change in local governments occurred with the promulgation of the Basic Democracies Order (October 27, 1959) issued by

¹ Apparently the DDB was the vehicle used to provide money for special localized projects, often in response to political pressures. For further discussion of the DDB, see Roy Bahl, "Intergovernmental Grants in Bangladesh," Local Revenue Administration Project, The Maxwell School (Syracuse, NY: Syracuse University, forthcoming).

² Much of what follows here is taken from M. Rashiduzzaman, Politics and Administration in the Local Councils, A Study of Union and District Councils in East Pakistan (Karachi: Oxford University Press, 1968), p. 1. Additional sources are cited in Salahuddin M. Aminuzzaman, Local Government and Administration in Bangladesh, A Selected Bibliography. A broader-based background of local government throughout the Sub-Continent can be found in Hugh Tinker, The Foundations of Local Self-Government in India, Pakistan and Burma (New York: Frederick A. Praeger, 1954).

President Field Marshal Mohammad Ayub Khan. The Basic Democracies Order provided for: (1) a union council for a union (which consisted of several villages) in rural areas and a town committee for urban areas; (2) a thana council for a thana in East Pakistan (tehsil councils were established for the parallel administrative unit in West Pakistan); (3) a district council; (4) a divisional council; and (5) two provincial Development Advisory Councils for East and West Pakistan.

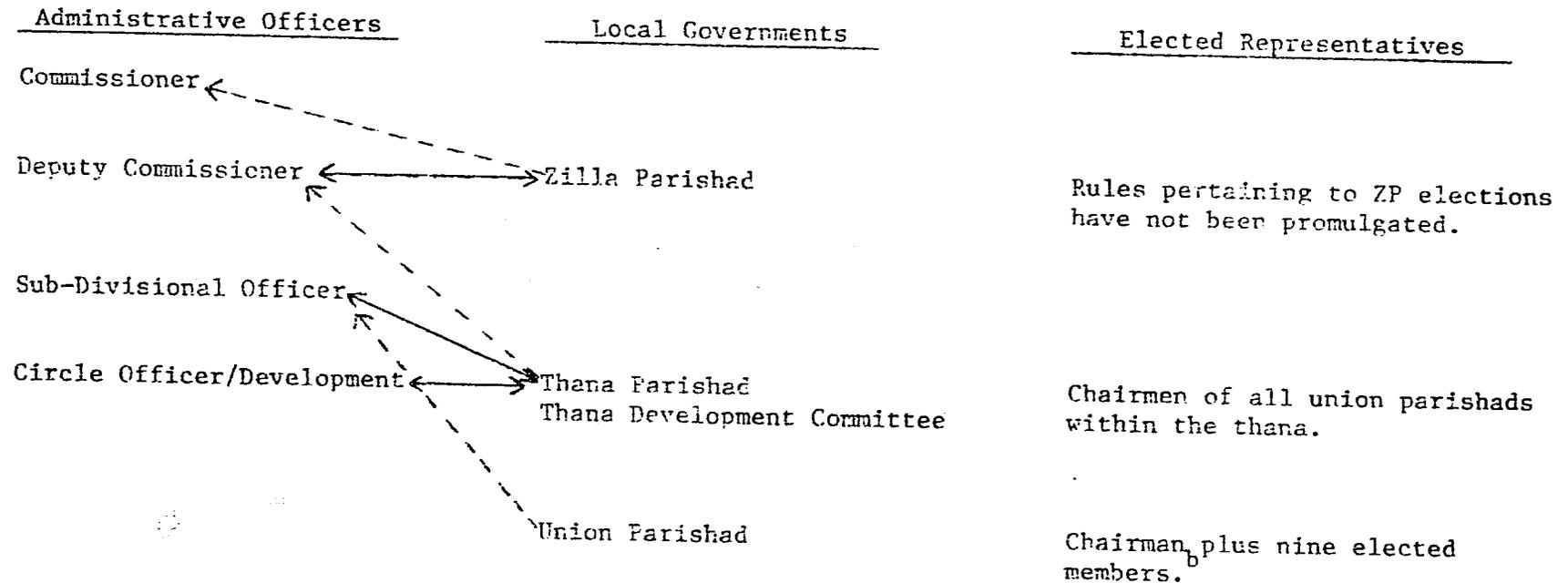
Two ordinances (along with many of the rules established for local governments under the Basic Democracies order) govern local bodies in Bangladesh today. These ordinances are: The Local Government Ordinance, 1976 which focuses on zilla parishads, thana parishads and union parishads; and The Paurashava Ordinance, 1977 which governs local government in urban areas. Each of the four levels of local self-government units is discussed below; but it is important to mention here the linkages that exist between the administrative units outlined above and these local bodies (Figure 2)

Zilla parishad (ZP) refers to an elected council within a district. Under The Local Government Ordinance the zilla parishad was to consist of elected officials, official members and appointed women members. However, this aspect of The Local Government Ordinance has not been implemented. Instead, the deputy commissioner (DC) acts as the chairman of the zilla parishad and the assistant director for rural development (ADRD) acts as its secretary.¹ The dual role of the DC as the chief administrative

¹The title Assistant Director of Rural Development (ADRD) may be soon changed to Assistant Director of Local Government (ADLG).

FIGURE 2

LINKAGES BETWEEN THE ADMINISTRATIVE HIERARCHY AND LOCAL SELF GOVERNMENTS IN RURAL AFGANISTAN^a



^a Solid lines indicate that administrators are members of the parishad while dashed lines connect a parishad with its "prescribed authority"--essentially the overseer of its activities.

^b There are also two appointed women members and two appointed members from among the peasants.

officer of the district and as chairman of the ZP thus directly ties the central government to the day-to-day operations of this local body.

The Local Government Ordinance also specifies a "prescribed authority" for each level of local government. Essentially the prescribed authority oversees the actions of the local government. For example, a local government's budget is to be examined by the appropriate prescribed authority who also has the power to modify it. In the case of the ZP this role is played by the commissioner.

Thana parishads (TP) consist of the chairmen of the union parishads which lie within the thana along with non-elected officials stationed at the thana. Inclusion of these non-elected officials and the fact that the SDO and CO serve as chairman and vice-chairman, respectively, of the TP are factors that directly tie the central government to this local body. Furthermore, the TP has no own-source revenue-raising powers, although under the proposed administrative reorganization this might be changed.

In addition to the TP at the thana level there is also a thana development committee (TDC). This group is composed of only the union chairmen who elect from among themselves a chairman, secretary and treasurer. The TDC consists solely of popularly-elected members but, like the TP, has no revenue-raising power. The principle function of the TDC is to discuss and approve various development schemes that will be undertaken in the thana. Their decisions must also be approved by the TP.

Union parishads (UP) are, in general, more autonomous from central government control since nine members of the UP are popularly elected from each of the three wards in the union. The chairman, too, is elected by the residents of the union. There are, in addition, two women members of the

union parishad nominated by the SDO which means that the composition of the council is not totally free of central government influence.

Financially the UP is also not totally free from central government influence. Its annual budget is reviewed by both the CO and the SDO with the latter having the power to modify it. The CO audits the accounts of the union parishad and then submits an audit report to the SDO.

Furthermore, the central government prescribes the conditions of service, grades of pay, qualifications and principles to be followed in making personnel appointments. Thus, while the role of the central government in UP activities is less than at the district level, there is still a substantial amount of oversight control.

Finally, local governments in urban areas, termed paurashavas, are also linked to the central government. As in the case of unions, each paurashava has an elected chairman and council; however, there is also a prescribed authority assigned to each with the responsibility to review budgets and financial reports.¹

Fiscal Decentralization.

Considerable attention has been paid here to the role played by the central government in local government affairs. The issue concerns what constitutes the optimal level of central government intervention in the activities, especially the fiscal affairs, of local governments. Although it is not possible to answer that question in a definitive way, it is

¹On September 24, 1982, the Chief Martial Law Administrator removed all elected paurashava chairmen from office and replaced them with appointed chairmen.

instructive to review briefly the arguments that underlie greater or lesser fiscal decentralization.

On the one hand, there is the strong likelihood that local governments, by being closer to the people, can more effectively match spending decisions to the particular needs of the jurisdiction than can central government decision-makers. This greater efficiency is, in turn, expected to aid the development effort. Likewise, there is the anticipation that taxpayers are more willing to comply with local taxes since there is a more obvious connection between taxes paid and services rendered than when tax monies all revert to the central government.¹

On the other hand, there are constraints to decentralization. Local governments throughout the world are nearly always "creations of the State" and, as such, are naturally subject to some control by their creators.² Limitations on autonomy are not necessarily undesirable. While decentralizing decision-making may further development, total local autonomy may lead to local actions which are in conflict with national goals. In such cases the narrower perspectives of localities may have to be set aside in favor of the broader context of the nation's welfare. Furthermore, when a significant portion of a locality's resources are provided from the central government treasury, fiscal prudence on the part

¹These arguments certainly are not new ones and can be found in the classic work on local government in developing countries by Ursula Hicks, Development From Below (London: Oxford University Press, 1961), pp. 3-9.

²For example, in the United States, the financial affairs of local governments are nearly always examined by the states in which they are located since the state is the governmental body which provides them the right to existence.

of the central government may require that some degree of control be placed over local actions. In a similar vein, it is imperative that local government financial auditing be performed by an independent body, most likely a part of the central government. The developmental advantages of decentralization are lost if the finances of localities are improperly used.

In summary, the real question is not whether any amount of higher level control ought to be placed on local self-governing units, but, instead, what is the proper degree of this control. There is obviously a tradeoff that must be considered--greater autonomy may make local bodies more responsive to local needs and may increase the effectiveness of local governments, yet autonomy also increases the possibility that actions will be taken that are not in the best interest of the nation or that financial or other mismanagement at the local level will not be detected.

ZILLA PARTSHADS

District-level governments were created by the Local Self Government Act of 1885 and were originally called district boards. In 1959 the Basic Democracies Order gave them the name of district councils. The functioning of these institutions was disrupted during the popular movement in 1968 which toppled President Ayub Khan, but they resumed activity under the name zilla boards in 1972. Four years later zilla boards became zilla parishads under The Local Government Ordinance of 1976.

Throughout their long history, zilla parishads and their predecessor boards and councils have seldom consisted primarily of elected representatives. For a three year period starting in 1956 the district:

boards were composed entirely of elected officials. However, the Basic Democracies Order of 1959 terminated this arrangement and made the district councils a part of the Deputy Commissioner's office.¹

While independence brought promise of a new political order, little progress in democratizing zilla parishads has been made.² Central government bureaucrats continue to administer its functions with all of the powers of the ZP exercised by two key persons: the deputy commissioner (DC) and the assistant director of rural development (ADRD) in their respective capacities as chairman and secretary of the zilla parishad. The principal responsibilities of these two officials is the management of the central government's administrative structure in the district. The roles of both the DC and ADRD in the ZP can be described as additional to their overall district administrative responsibilities.

The office of the deputy commissioner as chief administrator in the district has been in existence for over 100 years. Today, the DC's power may be less than in earlier times as the bureaucracy has become increasingly comprehensive and complex. Nevertheless, the DC still seems to maintain considerable local power and prestige.

The ADRD, who serves as secretary of the zilla parishad, is a staff officer of the DC with the responsibility to monitor and supervise the activities of the local bodies in the district. All important decisions

¹Ali Ahmed, Administration of Local Self-Government for Rural Areas in Bangladesh, 1979.

²Plans were apparently being made to hold elections sometime during mid-1982; however, the change in Government occurring in March has further delayed this schedule.

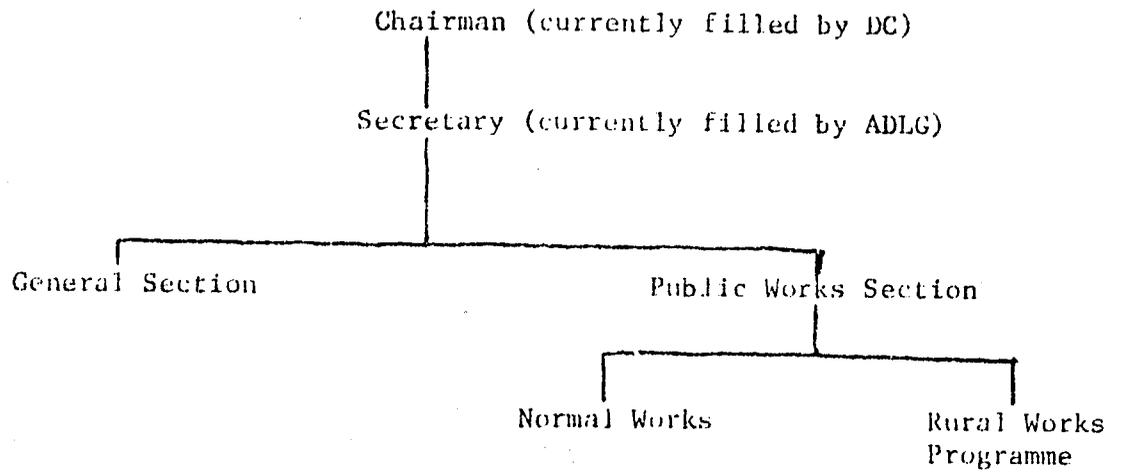
are made between the chairman and the secretary and all files go through the secretary who therefore controls the decision-making process by his ability to delay, question or object to recommendations and actions directed to the chairman.

Under the DC and ADRD, the zilla parishad staff is fitted into an organizational structure consisting of two divisions or sections (Figure 3). The general section (or secretariat) includes a deputy secretary or administrative officer, budget officer, accountant and clerks, upper division assistants (UDAs) and lower division assistants (LDAs). This section manages the administrative and financial affairs of the ZP. The other division is the public works section which is responsible for the construction and maintenance of roads and bridges, water supply, sanitation and public buildings. It is further subdivided into the normal works and rural works sections.

Functional Assignments and Staffing of the Zilla Parishads

The zilla parishad has a list of 97 functional responsibilities categorized under two headings: compulsory and optional (see Appendix A). However, financial constraints and the activities of the central government's nation-building ministries and government corporations have greatly reduced the role of the ZP in agriculture, health and education. The principal function of the zilla parishad is public works, particularly transportation including roads, bridges, canals and ferries. Administratively, the public works function is complicated by the fact that there are two portions of public works--normal works and rural works. The activities of the former are financed from the general revenues of the zilla parishad using both own-source and grant revenues while the latter

FIGURE 3
ORGANIZATION CHART OF ZILLA PARISHADS



are fully financed from the Rural Works Programme (RWP) grants from the central government. The activities of both sections are included in the budget and general fund of the ZP, and, as is discussed in more detail below, together account for nearly 80 percent of total expenditures.

The principle activities of ZP public works spending (both normal works and rural works) is in the field of construction and maintenance of the districts' communications system. While the communications system includes rivers, canals and ferries, the primary mode of transportation which absorbs the time and resources of the public works section is the district's roads system. This system constitutes the rural road networks which joins administrative and commercial centers at the thana, sub-divisional and district levels. The size of several of these systems is shown in Table 1.

Table 1 illustrates the relative underdevelopment of the zilla parishads' road systems, with most of the mileage unpaved. Furthermore, during the rainy season a substantial percentage of the unpaved roads throughout the country become essentially unpassable except to foot traffic. Faridpur is particularly noteworthy in that the entire system, paved and unpaved, is extremely small. Rangpur, on the other hand, is notable because of its extensive road network which is only slightly smaller than the entire national highway system of the Roads and Highways Department and, in terms of miles of road per square mile area of land, is over ten times greater than that in Faridpur. In great part the Rangpur situation results from its topographic conditions which preclude the use of canals and river transport.

TABLE 1
MILES OF ZILLA PARISHAD ROADS--SELECTED DISTRICTS

<u>District</u>	<u>Paved</u>	<u>Unpaved^a</u>	<u>Total</u>	<u>Miles of Road Per Square Mile Area^b</u>
Tangail	8	686	694	.5477
Sylhet	82	466	548	.1158
Rangpur	122	2,263	2,485	.7102
Faridpur	3	127	130	.0531
R&H System ^c	2,533	352	2,885	

^aIncluding herring-bone bricks.

^bTotal land area excluding rivers.

^cThe entire national highways system under the Roads and Highways Department.

SOURCE: District records and 1980 Statistical Yearbook of Bangladesh.

In addition to public works, the ZP may take some small responsibility for maintenance of educational institutions and may provide contributions to support religious and cultural activities. In fact, however, the only major type of expenditure beyond public works is that on administration of the ZP, e.g., finance and personnel services. Given the relative importance of the two components of public works, it is worthwhile to consider these functional areas in more detail.

Normal Works. At the head of the normal works section is the district engineer. Below him are an assistant engineer, sub-assistant engineers, sub-overseers, surveyors, an estimator, draftsmen and work assistants.¹ The district engineer, assistant engineer, estimator and draftsmen are based at the headquarters and have responsibility for the whole district. The remainder of the staff is assigned to particular geographical locations called circles or sections. The district engineer, and other normal works staff, are paid from ZP funds, but according to a national pay scale.

The Rural Works Programme (RWP). The RWP was initiated as a pilot project organized by the then Pakistan (now Bangladesh) Academy for Rural Development and carried out in Kotwali Thana, Comilla District, in 1961-62.² Within one year the program was expanded to all thanas in East

¹Data in Maniruzzaman, "The Functioning of Local Government in Rural Bangladesh" (RDE/USAID, Dhaka, 1981) suggest that few districts have a full complement of staff; indeed in his sample of five districts at least two of the mentioned positions were vacant in 1979. The analysis there also shows that capital equipment available to these personnel is woefully inadequate given the road-building and maintenance needs of these districts.

²For a case study of the results of the Comilla experience, see Pakistan Academy for Rural Development, The Works Programme in Comilla, A Case Study (Comilla: PARD, 1966).

Pakistan, funded in great part by resources supplied under U.S. PL 480 legislation.¹ The program was to accelerate the construction of a wide variety of public works at all levels of local government and has continued since the early 1960s. Technically, it remained a temporary, supplemental program until September 1982 when it became a permanent wing of the MLG. The Rural Works Programme is, basically, a grant-in-aid from the central government to each ZP, TP, and UP with the total (national) amount divided annually among the localities on the basis of area and population.²

At the district level, the RWP staff is headed by the executive engineer (works programme). The technical staff under the executive engineer is organized differently from the engineering staff on the zilla parishad's normal works side. The RWP has one assistant engineer for each sub-division within a district. He is assisted by other staff such as sub-assistant engineers, sub-overseers and works assistants. The assistant engineers and technical personnel are stationed at the respective sub-divisional headquarters and travel to and from their work sites.

The executive engineer and the assistant engineers on the works programme side are also appointed by the Permanent Secretary of the MLG. Until 1978-79 appointments for these positions could be initiated by the

¹Under PL 480 surplus wheat from the United States was sold to Pakistan for local currency then resold locally. The revenues from these sales were then used to pay local workers for their efforts on the RWP schemes. See Gustav F. Papanek, Pakistan's Development, Social Goals and Private Incentives (Cambridge, Mass.: Harvard University Press, 1967), pp. 157-162.

²A more comprehensive review of the TWP can be found in Bahl, "Intergovernmental Grants in Bangladesh."

deputy commissioner (as chairman of the zilla parishad) and later approved by the ministry; however, currently the appointments are made centrally.

Personnel Issues in Public Works. There are several problems associated with the staffing arrangements public works personnel. First, many of the engineering support positions remain unfilled and there is a crucial shortage of vehicles by which the professional staff can be transported to and from work sites.¹ In the past, when the RWP was a temporary program there was an employee morale problem stemming from the fact that the workers were not considered permanent central government employees and sometimes were not paid on schedule.² While permanency of position should help solve this problem, it will be necessary for RWP funds to be distributed in a timely fashion to zilla parishads so that the employees can be paid on a regular basis.

Organizationally there are potential difficulties associated with two public works sections. Theoretically, RWP funds are to be spent on construction and reconstruction of facilities such as roads while normal work funds are to be principally used for maintenance of these facilities. In actuality, there tends to be a fine line between reconstruction and maintenance so that the two sections may end up doing quite similar work. More seriously, however, is the potential inefficiency that can result from the dual system of engineering activities. If two projects, one funded

¹See Maniruzzaman, "The Functioning of Local Government in Rural Bangladesh."

²For example, in mid-March, 1982, we were told that RWP personnel in Rangpur had not yet received their February pay.

under the normal works and the other under the RWP, are located in close proximity, it is wasteful to have two different sets of employees traveling to the two sites. With some spatial reallocation of workers a single set of employees could oversee each project.¹

The current chain of command also creates potential difficulties for successful implementation of RWP projects, especially at the TP and UP levels. The engineers stationed in outlying areas could (and should) provide technical engineering advice on schemes prepared by these lower levels of government. But assistant and sub-assistant engineers are subordinates of the executive engineer while the RWP schemes at the TP and UP levels are the responsibility of the CO(Dev) and SDO. There apparently is considerable hesitation on the part of CO(Dev)s and SDOs in seeking assistance from the engineering staff since the role of the engineer in such projects might be so substantial as to negate their own efforts towards the schemes. The result is that TP and UP schemes are often poorly designed and, therefore, are less likely to succeed.

Expenditures

Since the main activities of the zilla parishads fall under the heading of public works, it is not surprising to find that these expenditures (when combined with RWP spending) constituted approximately 70-80 percent of total expenditures of three ZPs between 1976-77 and

¹ Sylhet District has recently restructured work assignments to avoid this problem. The District has been divided into 14 "sections" with a sub-assistant engineer assigned to each. This sub-assistant engineer is then to oversee all schemes, normal and RWP side, carried out in his section.

1980-81 (Table 2).¹ In addition to the building and maintaining of roads, bridges and ferries, public works includes construction and maintenance of dak bungalows, offices, warehouses, and even activities such as tree planting.

Other expenditure categories are comparably minor. In agriculture, zilla parishads operate a few small facilities but mainly provide awards to farmers who produce especially high yields. The health expenditures are for a few charitable dispensaries which provide limited care to the very poor. The ZPs also provide grants to local humanitarian organizations. In education, ZP grants are made for student hostels, educational institutions, youth organizations, libraries, cultural societies, and scholarships.

Establishment expenditures include the allowances for the chairman and secretary and the salaries paid to all employees of the zilla parishad (with the exception of the RWP staff). This spending includes pensions and gratuities to retired employees, travel allowances, fuel and other zilla parishad operating costs. It generally constitutes less than 15 percent of total ZP expenditures.

Revenues

There are basically three kinds of revenue sources available to ZPs: taxes, earned income and central government grants. The Local Government Ordinance of 1976 lists 28 items under taxes, rates, tolls and fees which local governments can levy with prior sanction of the government (see

¹Faridpur, Rangpur and Sylhet are the three districts in which the Zilla Roads Maintenance and Improvement Project is being implemented.

TABLE 2

LEVEL AND GROWTH OF EXPENDITURES BY MAJOR SPENDING CATEGORY FOR SELECTED
ZILLA PARISHADS, 1976-77 - 1980-81
(total expenditures in takas)

Zilla Parishad	Spending Category	Fiscal Years					Percent of 1981 Expenditures	Percent Change (1976-77)-(1980-81)
		1976-77	1977-78	1978-79	1979-80	1980-81		
Faridpur	Agriculture	17,231	28,970	29,574	26,595	---		
	Health	7,383	8,852	13,079	8,831	20,385	0.2	176.1
	Education	200,138	642,336	311,948	300,405	550,270	5.6	174.9
	Public Works	1,734,633	5,145,146	5,230,535	3,339,644	6,108,169	62.5	254.2
	Works Program	2,937,165	1,993,400	1,862,325	2,544,266	1,559,975	16.0	- 46.3
	Establishment	650,498	728,883	1,043,954	1,633,716	1,475,873	15.1	126.9
	Miscellaneous	50,602	39,417	30,192	38,847	63,078	0.6	24.7
	Total	5,587,650	8,635,006	9,521,606	7,192,204	9,777,770	100.0	75.0
	Bangpur	Agriculture	100,688	134,992	82,352	85,286	116,000 ^a	1.2
Health		276,493	241,089	100,831	60,468	156,800	1.6	- 43.3
Education		598,106	654,710	517,401	374,490	365,440	3.7	- 38.9
Public Works		2,487,433	2,861,437	5,551,815	4,860,606	5,117,120	62.4	145.9
Works Program		2,009,010	2,823,415	2,376,150	2,376,150	1,868,000	19.1	- 7.0
Establishment		165,196	213,737	277,860	302,527	329,200	3.4	99.3
Miscellaneous		388,922	470,760	268,132	165,363	853,000	8.7	119.3
Total		6,025,858	7,409,200	9,274,161	8,224,890	9,805,560	100.0	62.7
Sulhet		Agriculture	11,997	17,489	19,572	29,931	30,000 ^b	0.2
	Health	6,300	6,466	5,000	---	11,000	0.1	74.6
	Education	708,631	789,175	51,288	912,583	1,253,560	8.3	78.9
	Public Works	3,379,610	6,834,905	4,864,668	5,876,834	7,475,000	49.3	121.2
	Works Program	3,703,881	4,065,871	1,849,471	3,738,386	3,240,000	21.4	- 12.6
	Establishment	613,854	825,372	1,077,167	1,020,746	1,720,836	11.4	180.3
	Miscellaneous	68,189	122,566	92,528	121,108	1,427,890	9.4	1994.0
	Total	8,497,372	12,686,435	8,059,695	12,699,578	15,158,285	100.0	78.4

^a Budgeted amounts.

^b Revised estimates computed several months prior to the close of the fiscal year.

SOURCE: Zilla Parishad Records.

Appendix B). But zilla parishads do not utilize all these sources since some are utilized by the union parishads and Chapter II, Paragraph 60 of The Local Government Ordinance precludes both levels of local government from utilizing the same source.

Taxes. The list of tax revenue sources used by the ZP is an extremely short one. Furthermore, local autonomy in taxes is limited by the fact that tax rate changes must be approved by the prescribed authority--the divisional commissioner. In addition, tax revenues at the disposal of the ZP are not even collected by this level of government therefore the ZP has no control over tax administration. In essence then, zilla parishads have no effective autonomy regarding taxes and no way to increase the yields from this source.

The most important tax source is the immovable property transfer tax, a 1 percent levy on the value of all land and permanent structures sold in the district.¹ It is collected at the time the deed transfer is recorded by the Ministry of Law and Land Reform (previously the Ministry of Land Administration and Land Reform). The collection agents are subregisters located at the thana level.

A second, albeit insignificant, tax revenue source is the local rate. This tax was abolished in 1976 when the Land Development Tax Ordinance was passed which merged all land revenue and other land-based taxes into the

¹The immovable property transfer tax is analyzed more fully in James Alm, "The Immovable Property Transfer Tax as a Local Government Revenue Source," Local Revenue Administration Project, The Maxwell School (Syracuse, NY: Syracuse University, forthcoming).

land development tax.¹ Currently the only revenues obtained by the ZP from the local rate are from arrears, thus the amounts are small and decreasing.

Earned Income. Own-source revenues other than taxes are derived as income earned from several different quasi-enterprise activities. One such activity is income from tolls and ferry ghats. ZPs are authorized to collect tolls on district roads, bridges and ferry ghats (landings). We are aware of only one district (Sylhet) which imposes tolls on roads although ferry ghats are a more common revenue source.² Rather than operating these ghats or toll stations itself, the ZP commonly auctions franchises which give the franchise holder the right to collect fees from users. Toll rates are set by the district with the approval of the divisional commissioner.

A second source of income is rents and profits earned from the operation and rental of various types of property such as building and land, the lease of roadside ditches for fishing, rent of staff quarters, equipment rented to contractors, rent from dak bungalows (rest houses), sale of roadside trees and sale of materials supplied to contractors. For some ZPs, these revenues constitute the second most important local source of income; however, revenue growth is erratic.

¹See James Alm, "The Land Development Tax in Bangladesh," Local Revenue Administration Project, The Maxwell School (Syracuse, NY: Syracuse University, forthcoming), for a discussion of this land-based revenue source.

²For a discussion of toll road revenue in Sylhet, see Larry Schroeder, "Toll Roads as a Zilla Parishad Revenue Source: A Case Study," Interim Report No. 2, Local Revenue Administration Project, The Maxwell School (Syracuse, NY: Syracuse University, 1982).

The third source of ZP income is from fees, interest and other miscellaneous sources. Fees include those for services in health and agriculture and services provided to other levels of government, e.g. use of ZP printing facilities. In addition, bank deposits can yield interest earnings for the zilla parishads.

Grants. In addition to the Rural Works Programme grant discussed previously, the ZP receives a variety of small "normal" grants.¹ One of these is the augmentation grant intended to increase ZP expenditures for development activities. The grant in lieu of the zamindar's contribution to the zilla parishad helps compensate for the loss in revenues which resulted from the abolition of the zamindari (landlord) system in effect during the British rule. Special grants are also given to provide hardship allowances to ZP employees while compensation grants are used to increase staff salaries. Finally, sometimes grants against specific projects are provided which, as the name implies, are monies used for special purposes.

Actual Revenues. Tables 3 and 4 show the total and per capita revenues for FY 1976-77 through 1980-81 available to the three zilla parishads. While revenues in these ZPs grew over this period both in total and in per capita nominal terms, there were considerable differences in the growth rates among the three districts and for the different sources of revenue. Normal grants were approximately constant in nominal terms throughout this five year period and RWP grants fell dramatically in Faridpur and Rangpur while growing in Sylhet. The own source revenue growth rates in excess of

¹Roy Bahl, "Intergovernmental Grants in Bangladesh," provides more detail concerning these grant programs.

TABLE 3

LEVEL AND GROWTH IN LOCAL REVENUES, NORMAL GRANTS, RURAL WORKS PROGRAM GRANTS AND
TOTAL REVENUES OF SELECTED ZILLA PARISHADS, 1976-77 - 1980-81

Zilla Parishad	Source of Revenue	Fiscal Years					Percent Growth (76-79)-(80-81)
		1976-77	1977-78	1978-79	1979-80	1980-81	
Faridpur	Own Source	3,574,634	4,562,374	4,194,761	4,967,181	6,615,202	85.06
	Grants	407,025	410,520	297,220	400,485	397,200	- 2.41
	RWP Grants	1,901,977	1,993,400	1,862,325	2,544,266	1,559,975	-17.98
	Total	5,883,636	6,966,294	6,454,306	7,911,932	8,572,377	45.70
Rangpur	Own Source	3,930,516	4,456,291	5,620,033	6,130,609	5,360,485 ^a	36.38
	Grants	571,155	565,270	539,270	591,270	564,870	- 1.10
	RWP Grants	2,299,500	2,823,415	2,376,150	2,376,150	1,868,000	-18.76
	Total	6,801,171	7,844,976	8,535,453	9,098,029	7,793,355	14.59
Sylhet	Own Source	5,544,813	6,802,899	9,497,818	9,855,383	9,829,215 ^b	77.27
	Grants	512,860	513,630	512,860	512,860	512,860	0.00
	RWP Grants	2,432,650	2,448,700	2,464,200	3,613,879	3,240,500	33.21
	Total	8,490,323	9,765,229	12,474,878	13,982,122	13,582,575	59.98

^aBudgeted amounts.

^bRevised estimates computed several months prior to the close of the fiscal year.

SOURCE: Zilla Parishad Records.

TABLE 4

PER CAPITA LOCAL REVENUES, NORMAL GRANTS, RURAL WORKS PROGRAM (RWP)
GRANTS AND TOTAL REVENUES OF SELECTED ZILLA PARISHADS,
1976-77 - 1980-81
(in takas)

<u>Zilla Parishad</u>	<u>Source of Revenue</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
Faridpur	Own Source	0.79	0.98	0.89	1.03	1.36
	Grants	0.09	0.09	0.08	0.08	0.08
	RWP Grants	0.42	0.43	0.39	0.53	0.32
	Total	1.30	1.50	1.37	1.65	1.76
Rangpur	Own Source	0.63	0.70	0.86	0.92	0.79
	Grants	0.09	0.09	0.08	0.09	0.08
	RWP Grants	0.37	0.44	0.37	0.36	0.27
	Total	1.09	1.23	1.31	1.37	1.14
Sylhet	Own Source	1.03	1.24	1.69	1.72	1.68
	Grants	0.10	0.09	0.09	0.09	0.09
	RWP Grants	0.45	0.44	0.44	0.63	0.55
	Total	1.57	1.77	2.22	2.44	2.32

SOURCES: Zilla Parishad records; Bangladesh Bureau of Statistics, 1980 Statistical Yearbook of Bangladesh, Tables 2.3 and 2.5.

77 percent found in both Faridpur and Sylhet seem, at first glance, outstanding. Even when converted to per capita terms, the growth rates in these two ZPs exceed 60 percent over the five years. However, since prices increased by approximately 50 percent over that same period, real growth in per capita own source revenues was much less striking with declines experienced in Rangpur. While the arbitrary choice of initial and ending periods can affect the findings, the overall conclusion to be drawn from these data is that revenue growth in zilla parishads has barely kept pace with the spending pressures associated with increased population and rising prices. In part, this can be traced to the slow growth, or even decreases, in central government grants to these local bodies.

Table 5 shows the composition of locally-raised revenues in FY 1980-81 by five major revenue categories. The immovable property transfer tax is the predominant local revenue source in each ZP, accounting for 60-90 percent of locally-raised revenues and at least one-half of all revenues during that fiscal year. It is more difficult to generalize about the composition of the remaining portion of revenues since rents and profits together with fees, interest and miscellaneous revenues dominate in Faridpur while in Rangpur and Sylhet the other revenues were truly minor.

Fiscal Position

A comparison of the entries in the final columns of Tables 2 and 3 shows that for the overall period 1976-77 through 1980-81 expenditures increased more rapidly than did revenues in each of these districts. Furthermore, in at least several instances annual revenues fell short of expenditures. One must be careful, however, in interpreting revenue shortfalls in a single year as indicative of true budgetary deficits since

TABLE 5
COMPOSITION OF OWN SOURCE REVENUES IN SELECTED
ZILLA PARTSHADS, 1980-81

Revenue Source	As Percent of Local Revenue Source		
	Faridpur	Rangpur	Sylhet
Property Transfer	61.20	93.27	82.20
Tolls and Ferries	0.02	3.73	5.60
Rent/Profits	17.56	1.86	6.00
Local Rate		0.47	1.53
Fees, Interest and Misc.	21.02	0.66	4.68

	As Percent of Total Revenue		
Property Transfer	47.22	64.16	59.48
Tolls and Ferries	0.01	2.57	4.04
Rent/Profits	13.55	1.28	4.33
Local Rate		0.32	1.10
Fees, Interest and Misc.	16.22	0.46	3.38

SOURCE: Zilla Parishad records.

cash accounting is used by local governments in Bangladesh. Expenditures for public works are lumpy in nature. Therefore, while revenues received during one fiscal year are reported as income in that year, spending of the money may not occur until the following fiscal year. Thus, total expenditures during the subsequent year may appear to exceed total income although the spending was financed from the preceding year's balances.

Budgeting

The planned or anticipated revenues and expenditures of the zilla parishad are described in the annual budget prepared by the budget and accounts officer. The budget is then reviewed by the zilla parishad chairman with inputs sometimes provided by other district officers or by local members of parliament, and is finally approved by the divisional commissioner. The budget is constructed according to formats provided by the MLG.

The budget contains two parts--a current account and a capital account. The former contains financial information regarding all principal activities of the zilla parishad including revenues and expenditures of RWP. Unlike some countries, the capital account of local governments in Bangladesh is not a record of spending associated with capital projects.¹ Instead, the capital account shows transactions involving advances or short-term loan activity. For example, earnest money deposited by contractors or repayment of advances and loans obtained by district

¹For example, the capital account envisioned and discussed in Hicks, Development From Below, would show all spending on capital formation such as roads and bridges.

employees appear as capital account income. Similarly, the spending side of the capital account shows corresponding expenditures on these items, e.g., repayment to contractors of deposited earnest money or loans provided to ZP employees. In both the current and capital account, revenues include opening balances while the closing balance is a line item on the expenditure side. There are also interfund transfers between the current and capital accounts.

Budget preparation begins in April prior to the July 1-June 30 fiscal year. Revenues are projected to follow a pattern shown by the trend of the last two to three years. For example, in one ZP we learned that revenue estimates are simply the average of the previous year's actual and annualized current year revenues.

Budgeting for grants is complicated by the fact that annual allocations are not publicized by the central government until after the start of the fiscal year, often not until August. Totals from the previous year are apparently used for budgeting purposes, a practice which has been quite accurate for many of the normal grants which have not been altered for several years (see Table 3).

For public works (normal) projects, a list of specific schemes is drawn up during budget preparation by the district engineer. The amount of work to be done on the scheme together with its costs are estimated and sent together with the budget to the DC who may make alterations based on suggestions by the public and local notables. These plans then accompany the budget for its final approval by the divisional commissioner before July 1.

One aspect of budgeting under normal works spending focuses on the allocation of monies to maintenance of roads and other works program projects. Under Circular 64 (June 25, 1964) issued by the Ministry of Local Government, "25 percent of the total budget of the District Council/municipal/town committee should be spent for maintenance of projects implemented under Works Programme". Thus maintenance spending on already-constructed facilities is to have a higher priority than second priority schemes--completion of ongoing construction--or third priority schemes--initiating new construction.

As noted above, differentiating between maintenance and reconstruction of roads is, in practice, not easily accomplished given the lack of a uniform definition of these terms. Apparently, often there is no maintenance on a road for several years with major repairs undertaken only after the road has become nearly impassible.¹ This repair may, in some instances, be termed maintenance while in other cases it will be called reconstruction. The result of this practice is that the mandate to devote 25 percent of the budget to road maintenance is, effectively, non-binding. Furthermore, the mandate is in terms of budgeted expenditures. Whether or not the financial audit also addresses this issue is another matter. In any case, in interviews with zilla parishad personnel it was suggested that the Circular is not an important constraint on their budgetary practices.

Once the budget is approved, allocations may be reappropriated within sub-head expenditures without reapproval from higher authorities. Changes

¹Indeed, the objective of the Zilla Roads Maintenance and Improvement Project is to improve the ability of ZPs to maintain and up-grade the existing zilla roads network.

involving a reappropriation between major heads must, however, be approved by the divisional commissioner.¹

THANA LEVEL LOCAL GOVERNMENT

Districts have been subdivided into 10-40 thanas to serve as administrative posts for central government staff and as a level of local government. It is this level that, apparently, is to be the focus of administrative decentralization currently being formulated in Bangladesh. Still, thanas are not small in terms of population. In 1981 thana population ranged from slightly over 10,000 to nearly 590,000 with a country-wide average of about 185,000 persons per thana.

The thana is the level of local government that is potentially the most confusing to an outsider. The thana is, in the first instance, an administrative unit of the central government and, as such, not a local government. There are, however, two types of local governments (or quasi-governments) that operate, as well, at this level--the thana parishad (TP) and the thana development committee (TDC). At least a portion of the members of each of these two groups include persons popularly elected by the voters.

Representative government at the thana level was created by the Basic Democracy's Order (BDO) of 1959 when the thana council was formed. A circular of the MLGRD&C in 1972 changed the name to the thana development

¹ Greater detail concerning the implementation of annual budgets including requirements regarding tender offers and allocation of personnel is considered in Maniruzzaman, "The Functioning of Local Government in Rural Bangladesh."

committee but the Local Government Ordinance of 1976 changed its name to thana parishad. Since its inception the thana level of local government has had both elected and non-elected members. Now it comprises the elected chairmen of the union parishads (UP) within the thana and officials of various government departments stationed at the thana level. It also includes the chairman of the Thana Central Cooperative Association (TCCA), the thana conveners of Youth Complex and the National Women's Organization, although the latter two have no voting power.

The TP is chaired by the sub-divisional officer (SDO) with the circle officer-development (CO-Dev) as the vice-chairman. Under the BDO the non-elected members of the thana council could not exceed 50 percent of the total membership of the council, but thana parishads are not subject to such a limitation. Depending on the number of unions within a thana, the non-elected members can outnumber the elected chairmen of the UPs.

The thana development committee is of fairly recent origin, created by a circular of the MLC in 1978.¹ It consists solely of the elected chairmen of the union parishads within the thana. They elect from among themselves a chairman, secretary and treasurer. Between three and eight additional members can be co-opted, but they cannot exceed the total elected membership.

The formation of the thana development committee implies some transfer of power from the bureaucrats to elected representatives. The chairman can draw and disburse government-allocated funds which are used for development

¹Government Circular No. S-IV/2F-1/78/282, dated May 24, 1978. Whether the TDC will continue after administrative reforms are carried out remains to be seen.

programs. But still the TDCs do not enjoy real autonomy since their development schemes must be approved by the thana parishad which may be dominated by the bureaucracy.

Functional Assignments

Since the formation of the thana development committee, there has been a functional redistribution between the TP and the TDC. The functions of the TP relate to coordination of activities at the thana level and the management of the thana training and development center (TTDC), the TTDC hall/office building, surrounding wall, streets within the complex, workshops, and storage godowns. Thana parishad responsibilities also extend to office-cum-community centers for the union parishads, voluntary mass participation works and construction of flood shelters. The thana development committee carries out the thana irrigation program (TIP), thana level Rural Works Programme, Ulashi-type projects and excavation of derelict tanks.

The bulk of the schemes implemented under both the TP and the TDC can be classified as those relating to (i) irrigation and (ii) public works, particularly construction (or reconstruction) of roads, bridges and buildings. However, there is some overlapping among programs. For example, TIP grants can also be used for building culverts, since they aid irrigation.

The role of the thana parishad and thana development committee with regard to irrigation is limited to the construction of pucca (concrete) drains (water distribution systems), excavation and reexcavation of canals and derelict tanks, and the construction and reconstruction of embankments. While the supply of power pumps and shallow or deep tubewells is the

responsibility of the Bangladesh Agricultural Development Corporation (BADC), the thana irrigation program overseer is supposed to physically verify the schemes proposed by pump user groups. The thana irrigation team¹ also makes recommendations as to which groups should receive a pump. In reality, the TIP overseer plays a relatively small role in examining and recommending schemes;² the main decisions are influenced by the BADC officers(s) in charge of irrigation. The on-farm distribution of water is managed by the pump user groups.

Personnel at the thana level are supported directly by the central government but usually number only 4 - 5 including the thana clerk and accountant. The thana technical staff prepares schemes and supervises their execution.³

Finance and Project Development

Both the thana parishad and the thana development committee depend upon the central government for financial resources since neither has any taxing authority.⁴ Because of this reliance upon grant revenues, neither group constructs a formal budget; instead, they prepare plans for projects

¹The Thana Irrigation Team includes the CO, the Thana Extension Officer, the IRDP Project Officer, the Section Officer of BADC and the TIP Overseer.

²Information based on interviews with TIP overseers.

³Manirruzzaman, "The Functioning of Local Government in Rural Bangladesh," provides additional information regarding this staff as well as the small amount of equipment they have at their disposal.

⁴Some thana parishads earn a small amount of revenue from rental income obtained from roofing facilities within the TDC complex. Taxing powers may, however, be granted to the TP in the future under the proposed reorganizational scheme.

and maintain accounts concerning the financial affairs of each project. Each year the central government allocates grants in the name of the TP or the chairman of the TDC according to the function to be financed.¹ These allocations are described in a Ministry of Local Government circular which also includes detailed guidelines for the Rural Works Programme. The grants are supposed to be made in quarterly installments; however, actual disbursements often fall below allocations. Our initial investigations suggest that in 1980-81 only about 75 percent of the RWP grants originally allocated were ultimately received at the thana level.

Table 6 displays the total and per capita grants actually received by three thana parishads in Faridpur District in 1980-81 classified by type of RWP Project. The number of schemes supported by these funds are also shown as are the percentage increase or decrease in amounts between 1976-77 and 1980-81. In per capita terms the TPs obtained nearly Tk. 1.00 per person for the several types of development projects supported by the RWP. This is considerably more than that received by zilla parishads from the RWP (Table 4); however, the ZP funds are used exclusively for roads, bridges and culverts, therefore such a comparison can be misleading.

The lack of growth in RWP grants in these three thanas is an obvious feature of Table 6. Both Kasiani and Rajbari Thana Parishads obtained less RWP money in 1980-81 than they had in 1976-77 (and the increase in Madaripur was due primarily to the TTDC grant). Since these funds

¹Data in Q. Md. Afsar Hossain Saqui, "Local Government Finance in Bangladesh," Local Government Quarterly III (September-December 1974), p. 55 show that nearly half of the total Works Program Fund to Local Bodies during 1972-73 and 1973-74 was distributed to thanas. This was over twice the amount distributed to zilla parishads.

TABLE 6

FEATURES OF RURAL WORKS PROGRAMME GRANTS IN SELECTED FARIDPUR
THANAS PARISHADS, 1980-81

RWP Grant	Kasiani Thana Parishad			
	Total Received	Per Capita Received ^a	Number Projects	Revenue Growth, 1976-77 - 1980-81
Roads, Bridges, Culverts	Tk. 67,724	Tk. 0.33	2	-47.5%
TIP-Normal	71,207	0.35	2	-52.5
TIP-Ulashi	55,418	0.27	1	c
Derelict Tank Excavation ^b	---	---	---	---
TTDC	---	---	---	---
Total	<u>194,349</u>	<u>0.95</u>	<u>5</u>	<u>-30.3</u>
Madaripur Thana Parishad				
Roads, Bridges, Culverts	24,750	0.09	na	-69.1
TIP-Normal	40,400	0.15	na	226.6
TIP-Ulashi	72,000	0.27	na	c
Derelict Tank Excavation	54,878	0.20	na	c
TTDC	<u>110,000</u>	<u>0.41</u>	<u>na</u>	<u>c</u>
Total	<u>302,028</u>	<u>1.13</u>	<u>na</u>	<u>87.8</u>
Rajbari Thana Parishad				
Roads, Bridges, Culverts	19,500	0.10	1	-62.4
TIP-Normal	30,800	0.15	3	c
TIP-Ulashi	57,750	0.29	2	-20.8
Derelict Tank Excavation	38,275	0.19	1	-16.6
TTDC	---	---	---	---
Total	<u>146,325</u>	<u>0.73</u>	<u>7</u>	<u>-14.2</u>

^aBased on 1981 Census data.

^bAmount is included in Roads, Bridges and culverts.

^cNo RWP grants were received in this category in 1976-77.

SOURCE: Thana parishad records.

constitute a principal source of rural development resources, the cutbacks in grants are especially alarming.

Thana Parishad Project Development. Proposals for activities which relate to the thana training and development center (TTDC) are made by thana level officials with the main role played by the circle officer. The schemes are required to be drawn from the Thana Plan Book, a rolling five-year development plan for the thana. The technical papers showing descriptions and estimates of the works are prepared by the thana technical staff.

Thana Development Committee Project Development. The members of the thana development committee bring their proposals to the thana technical staff which, in turn, examines the technical feasibility of the schemes. Again, the schemes are to be taken from the Thana Plan Book. Because of the lack of transportation facilities, the staff cannot make numerous site visits and consequently base their conclusions primarily upon their experience rather than on in-depth investigation of the individual scheme. The proposals ultimately selected often strike a balance between the demands (e.g., a member of the thana development committee might submit 6 or more proposals whose total cost could equal the annual allocation for the entire thana) and the funds made available by the government. The thana technical staff takes measurements and prepares cost estimates (to be submitted to the approval authority). Unfortunately they may not conform to sound engineering design criteria so the resulting schemes may be weak.¹ There may be several reasons for this inadequacy in project design.

¹From interviews with thana technical staff.

First, the thana technical staff does not have extensive training in engineering skills. Second, as mentioned above, there appears to be impediments to the use by thanas of assistant and sub-assistant engineers stationed at sub-division level. Finally, as one might expect, resource constraints may make it impossible to carry out more technically sound schemes. This latter problem may be compounded by political pressures which result in several smaller schemes scattered about the thana rather than technically superior schemes that could be placed in but one or two locations.

The schemes of the TDC are approved by the TP while schemes of the thana parishads are approved by the district approval authority which includes the deputy commissioner (Chairman); executive engineer, RWP; executive engineer, WAPDA; executive engineer, Public Works Department; executive engineer, BADC; executive engineer, Public Health Engineering; the SDO and the ADRD. The membership of the district approval authority shows a technical bias with five of the eight members being engineers. Thus, there does appear to be governmental concern regarding the technical soundness of schemes executed under the thana-level RWP.

UNION PARISHADS

Rural thanas are sub-divided into unions which, as of 1975, had populations ranging from 10,000 - 20,000.¹ The nearly 4,500 unions within the country constitute the lowest level of local self-government and have

¹Bangladesh Bureau of Statistics, Union Population Statistics (Dacca: April 1976). Union data from the 1981 census are not yet available.

had a long history. In 1870 Lord Mayo issued a resolution on financial decentralization which resulted in the Bengal Village Choukidari Act and divided the countryside into unions with a panchayat appointed for each. Unions committees were later set up under the Local Self-government Act of 1885 in response to Lord Ripon's resolution on local self-governments. Union committee members were popularly elected thereby becoming the first formal local government within the country. The name of union committees was changed to union boards under the 1919 Local Self Government Act while the Basic Democracies Order (BDO) of 1959 changed its name to union council. In the aftermath of the Liberation War, the local government body at the union level was called the union panchayat until 1973 when its name was changed to the union parishad (UP).

Three members of the UP are elected from each of the three wards into which a union is divided. The voters cast their votes for four preferences, three for members from the ward and one for the chairman from the union as a whole. Two women members are nominated by the government (sub-divisional officer) in consultation with the chairman of the UP. Finally, in late 1979 the government asked the union parishads to co-opt two other members from among the peasants. Thus, the total number of members of a UP is 14.

Functional Assignments

The Local Government Ordinance of 1976 authorizes union parishads to perform 40 functions covering various aspects of rural life (see Appendix C). In reality, the UPs do very little for rural development because of financial constraints, the lack of qualified manpower and the necessity for

the UP Chairman and members to spend 60 to 75 percent of their time in arbitration of local disputes in the village court.¹

Union parishads do engage in some activities other than settlement of disputes. Each is supposed to form a union agricultural committee to review the union's agricultural situation and irrigation needs. In practice, however, the unions do not form such committees but instead include this subject on the agenda of the monthly UP meeting. Other than this the UPs do little directly to support agricultural production. For example, irrigation at the union level is mainly the result of interaction between the managers of the pump-user groups and the BADC section officer at the thana level with little or no input from the UP.

Little is currently done in the area of education although the unions occasionally provide some financial support to meritorious students. While the government once considered a plan to transfer the management of the primary schools to the UP, the idea was resisted by primary school teachers and other educators who questioned the management capability of the unions.

In public works the unions perform some road maintenance and face the same 25 percent maintenance spending mandate as does the zilla parishad. Roads constructed as thana roads are to be maintained by the union--an interesting case of shared responsibility. In addition, through the RWP the unions construct earthworks and install small concrete culverts.

Union parishads have a small staff since most of their public works activity is carried out by contractors or by project committees consisting

¹From interviews with UP Chairmen.

of individuals from within the community.¹ Each union has an SDO-appointed secretary who acts as the principal officer of the UP. There may be one or more assistant secretaries employed by the UP. But probably the most direct service provided to union residents by union employees is that of the dafadars and chowkidars. Chowkidars have been employed by unions since they were formed during the British rule primarily to provide protective (police) services to the residents of the union. Chowkidars, supervised by a dafadar, still perform minor law and order functions and also transmit messages between villagers and the UP. (Their duties and powers are enumerated in Part II of the First Schedule of The Local Government Ordinance, 1977.)

Finances

One overriding characteristic of UP finances is the difference between the normative "what ought to be" and the positive "what is." A review of the statutes and rules under which UPs operate would suggest that local financial administration is well-defined and systematic. In reality, the situation is far from systematic.

Financial resources of a union parishad are generated from taxes, certain fees and government grants. As noted above, The Local Government Ordinance, 1976 contains the list (Appendix B) of revenues sources permitted for use by these jurisdictions (excepting those which are levied by the zilla parishads).

¹While a bit dated, Syed Nuruzzaman, "Staffing Pattern in Local Bodies (Rural and Urban) in Bangladesh," Local Government Quarterly, III (March 1974), p. 20 concluded that "The staff position is union Panchayet (Parishads) is extremely grim and anomalous."

The principal tax revenue source for union parishads is a levy on the annual value of immovable property (land and permanent structures). Two different property-based levies are permitted--the union rate (as specified in item 1 of the schedule shown in Appendix B) and the rate for the remuneration of village police, also known as the chowkidari tax (as specified in item 15 of the same schedule). Since both of these levies are derived from the same base, many jurisdictions do not differentiate between them but, instead, lump them together under the term "holdings tax." The maximum rate that can be imposed under the union rate is 7 percent of the annual rental value while that for the chowkidari tax "should be so fixed as would ensure adequate funds for meeting salaries, cost of equipment and such other charges (if any) on account of the village police as well as proportionate cost of collection of the rate."¹

Determination of the annual values (the tax base) is carried out by the UP members in their respective wards. While the Rules Under the Basic Democracies Order spell out in some detail how this assessment is to be made, it appears unlikely that these guidelines are followed.² Furthermore, the direct use of elected officials in the tax assessing process has probably weakened the overall quality of tax administration. It allows UP members to gain political favor by reducing particular assessments even though it may not be in the best interest of the financial

¹Government of East Pakistan, Rules Under the Basic Democracies Order (Those Applicable to Union Councils) (Dhaka: 1969), p. 81.

²It should be noted that while the Rules were written under the 1959 Basic Democracies Order, they are still in effect under the Local Government Ordinance, 1976 if they do not contradict the provisions of that Ordinance. See Local Government Ordinance, 1976, p. 31.

health of the UP. Indeed, our initial investigation suggests that determination of these taxes is random, at best, and possibly dominated by outright favoritism even though the UP and SDO must approve the assessment prior to collection of the tax.

Rather than employ full-time tax collectors, union parishads appoint tax collectors who are compensated on a commission basis--usually about 15 percent of total collections. Still, collection of the tax is quite poor with numerous individuals, including more influential residents, failing to pay. While the UP chairman is empowered to realize unpaid taxes by possession and sale of moveable property or by attachment and sale of immovable property, these actions are seldom taken probably because they might provoke public criticism and loss of political popularity.¹ Instead, if any action is taken, it usually amounts only to negotiation between the UP and the delinquent taxpayer.

Other taxes which are levied in at least some unions include the profession tax, vehicle tax and community tax. The profession tax is essentially a head tax on those not engaged in agriculture although there may be some variation in the levy depending upon the individual's income. The vehicle tax is a fixed levy on the owners of vehicles owned and operated in the union. The community tax is collected in only some unions (or, at least, included within the general fund of only a few). Essentially this tax is used as the source of revenues to finance

¹Again, the Rules Under the Basic Democracies Order, pp. 14-16 provide detailed instructions concerning how delinquent taxes can be recovered.

particular location-specific projects with the union chairman and a project committee assessing what each beneficiary of the project is to contribute.¹

Fees constitute another minor source of local revenues for union parishads. The principal fees include income derived from hats (periodic markets), bazaars and ferry ghats. As in the case of zilla parishads, ferry ghat franchises are sold to private entrepreneurs who operate the ferry service.

Table 7 shows actual 1979-80 revenues and expenditures of three UPs in Faridpur District as obtained from the UP accounts. The entries show the lack of uniformity in account-keeping within these local governments. This greatly complicates analysis of local finances and, more importantly, is likely to compound difficulties in auditing the accounts. Dissimilar account format is most pronounced on the expenditure side of the ledger. For example, while Jhoudi provides itemized expenditures, the other two jurisdictions report spending on a highly aggregated basis.²

Even after regrouping the data so as to make interjurisdictional financial comparisons possible, there is considerable variation in the data. For example, in terms of own-source revenues, Jhoudi obtained over

¹For more information on this revenue source as well as non-formal methods of financing localized schemes, see Barbara Miller, "Indigenous Voluntary Action and the Provision of Collective Goods in Rural Bangladesh," Local Revenue Administration Project, The Maxwell School (Syracuse, NY: Syracuse University, forthcoming).

²It should also be noted that while Table 7 shows revenue and expenditure data for only a single year, the format of accounts are not necessarily consistent across time even within a single jurisdiction.

TABLE 7

REVENUES AND EXPENDITURES IN SELECTED UNION PARISHADS,
FARIDPUR DISTRICT, 1979-80^a

Revenues	Union Parishad (1974 population in parentheses)		
	Jhoudi, Madaripur Thana (15,780)	Barkantapur Rajbari Thana (8,450)	Kasiani, Kasiani, Thana (13,641)
Opening Balance	2,400	1,563	295
Local Rate	1,200	---	---
Holding Tax	37,488	7,362	12,970
Chowkidari Tax	10,512	---	---
Pound & Ferry Fees	300	---	2,476
Court Fees	500	---	---
Hats & Bazaars	---	---	15,439
Loan	---	---	1,000
Rent	---	350	250
Miscellaneous	700	---	---
Normal Grants	---	---	---
Compensatory	---	---	3,086
Increased Development	974	724	---
Deficit Budget	---	---	2,056
Increased Salary	---	11,988	6,632
Honorarium	---	7,800	11,700
Government Support ^b	15,000	---	---
RWF	9,464	3,868	---
Total Revenues	78,538	33,655	55,904
Total Net of Opening Balance	76,138	32,092	55,609
Total Own Source Revenues	50,700	7,712	32,135
Per Capita Own Source Revenues	3.21	.91	2.36

TABLE 7 (CONT.)

Expenditures	Union Parishad (1974 population in parentheses)		
	Jhoudi, Madaripur Thana (15,780)	Ramkantapur Rajbari Thana (8,450)	Kasiani, Kasiani Thana (13,641)
General Establishment ^c			
Tax Establishment ^c		25,905	43,833
Bamboo Bridges ^d		332	1,848
Arboriculture ^d	3,500	1,770	1,250
Training ^d			1,000
Canal Digging ^d			2,000
Loan Repayment ^d			500
Hats & Bazaars ^d			1,000
RWP ^d			2,789
Rent	9,464	3,868	
Furniture		560	
Salary ^c		300	
Contingency	24,152		
Chowkidar ^c	2,000		
Maintenance ^c	9,360		
Tax Collectors' Commission ^c	12,000		
Defense Party ^d	6,610		
Family Planning ^d	2,000		
Adult Education ^d	426		
Swanirvar ^d	500		
Cottage Industries ^d	500		
Audit	500		
Increased Development ^d	100		
Miscellaneous	974		
Closing Balance	1,762	250	
	2,400	1,713	1,184
Total	76,248	33,698	55,404
Total Net of Closing Balance	73,848	32,985	54,220

TABLE 7 (CONT.)

^a Entries indicated with a "---" indicate that, while in 1979-80 no amounts were recorded, in other years during the period 1976-77 through 1980-81 there were positive entries in the accounts. Blanks indicate no entries were shown on the accounts for the entire period 1976-77 through 1980-81.

^b Apparently this title is used for the combination of increased salary and honorarium grants.

^c Administrative or establishment spending.

^d Developmental spending.

SOURCE: Union parishad accounts.

three times the per capita revenues than Ramkantapur (using 1974 population data--the latest available). This vast difference stemmed primarily from the variation in holding and chowdidari tax collections in the two jurisdictions. The outstanding feature of the collection of revenues in Kasiani is the large amount of income derived from hats and bazaars, an amount that exceeded even its holdings tax collections. It should be noted, however, that the 1979-80 collections from this source was probably an abnormality since Kasiani had no income from this source during any of the other years during the period 1976-77 through 1980-81.

There is also no uniform pattern in grant revenues across these jurisdictions. For example, only Kasiani had Compensatory Grant revenues; but its records indicate it received no Increased Development Grant revenues even though the other two jurisdictions earned income from this source. Another seemingly strange quirk in the data is the difference in relative sizes of the Increased Salary and Honorarium grants in Ramkantapur and Kasiani. While there may be errors in the data entries the differences are perplexing. Note, too, that no RWP income is recorded in Kasiani, not only in 1979-80 but throughout the five year period for which data were gathered. This is likely due to the placement of these funds in an account other than the current account of the Union Fund.

On the expenditure side of the ledger there are, again, some differences concerning the variety of spending undertaken by these three UPs although comparisons are complicated by the differences in the account formats. One overriding conclusion, however, is that basic support of the few personnel and the elected officers of the union parishad consume the

majority of the resources available. Based on the data shown in Table 7 each of these jurisdictions devotes in excess of 70 percent of total spending to establishment. In turn, only Tk. 0.59 (Kasiani) to Tk. 0.91 (Jhoudi) per person was spent during 1979-80 on development initiatives (as defined in Table 7). Although it cannot be documented, the minimal spending on development projects while at the same time relatively large amounts are spent for establishment purposes may play an important role in the dismal tax collection record in these UPs. Union residents may feel little incentive to pay these taxes when the bulk of the funds will be spent for purposes they feel do not produce any direct return.

As the data in Table 7 suggest, it is sometimes necessary for the UPs to incur debt to meet their expenditure needs. Results from our interviews indicate that these loans are usually made from UP members rather than from formal financial institutions.

The budget and financial administration processes applicable to the UPs is similar to that of the ZPs. That is, budget preparation begins in April or May prior to the start of the fiscal year. The draft budget, prepared by the UP Chairman or Secretary, is debated in at least one meeting which may or may not include participants other than UP members. Once the budget is approved by the UP it is sent to the SDO for final approval. While the SDO has the authority to reject a budget, apparently rejection very seldom occurs.

PAURASHAVAS

Local governments in urban areas are called paurashavas and function in a manner not unlike that of the UPs in rural areas. The Paurashava

Ordinance, 1977 defines an urbanized area as one in which "three fourths of the adult male population...are chiefly employed in pursuits other than agriculture, and such areas contain not less than 15,000 population, and an average number of not less than 2,000 inhabitants per square mile."¹ There are currently 79 such areas in the country including Dhaka; however, Dhaka is not technically a paurashava but, instead, is classified in The Paurashava Ordinance as a "municipal corporation."²

Each paurashava is divided into wards for the election of commissioners (though there is set number of commissioners prescribed in the Ordinance). A chairman for the paurashava is elected from the municipality at large (the similar position in Dhaka is that of mayor).³

As in other local governments, the fiscal affairs of paurashavas are overseen by agents of the central government. The Paurashava Ordinance, 1977 delineates the following prescribed authorities: for the Dhaka Municipal Corporation it is the central government; for Chittagong, Khulna, Rajshahi and Narayanganj Paurashavas it is the appropriate divisional commissioner; and for all other paurashavas it is the appropriate deputy commissioner.

¹The Paurashava Ordinance, 1977, Paragraph 3, p. 5. Thus, while the entire country has been subdivided into thanas, areas within thanas are classified as either rural or urban with the local governments being union parishads or paurashavas, respectively.

²The status of Chittagong is apparently also being upgraded to municipal corporation.

³As noted above, the elected paurashava chairmen have recently been removed from office by the Government.

Functional Assignments

Part IV of The Paurashava Ordinance, 1977 details the functional areas of responsibility to be undertaken by these units. The list is a long one and includes: public health; water supply and drainage; insuring a safe supply of food and drink as well as establishment and maintenance of public markets and slaughter houses; regulation of animals; provision for town planning; controlling building activity within the municipality; providing streets; providing public safety including fire fighting and civil defense; providing for trees, parks, gardens and forests; providing for education and culture; providing for social welfare and providing for development. It is unlikely that all these activities are currently being pursued in most urban areas.

The Paurashava Ordinance also provides that there will be a "Paurashava Service" constituted and that the central government may specify posts at the paurashava level to be filled by members of this service. Furthermore, the Ordinance provides that the secretary of the paurashava as well as the chief executive officer may be appointed by the prescribed authority with pay scales, lists of qualifications, job descriptions, etc., determined centrally.

The actual number of personnel in these jurisdictions is not especially large, at least not on a per capita basis. For example, Faridpur Paurashava employs a staff of 81 for its population of nearly 67,000 or about one employee per 825 residents. Comilla Paurashava employs 399 full- and part-time workers for its population of approximately 126,000 (over 320 residents per local public employee). Table 8 details the allocation of employment in Comilla across the several activities

TABLE 8

FUNCTIONAL ALLOCATION OF EMPLOYEES,
COMILLA PAURASHAVA, 1981

<u>Function</u>	<u>Number of Workers</u>
Secretariat	20
Accounts and Cash	13
Tax Collection	38
Rents and Licenses	6
Markets	22
Bus Terminals	38
Road Gangs	20
Drain Gangs	41
Engineering	14
Health	15
Conservancy	7
Water Supply	38
Street Lighting	25
Vehicles	10
Works Programme	7
Sand Mahal	17
Sweepers	<u>68^a</u>
Total	399

^a regular and irregular.

SOURCE: Comilla Paurashava records.

undertaken by the municipality. From this table it is clear that the paurashava is not engaged in all the activities listed in the Ordinance.¹

Finance

Since paurashavas are independent of the zilla-union hierarchy, it is not surprising to find that the list of expenditures and revenues delegated to paurashavas is similar to those available to ZPs and UPs. Furthermore, the urbanized character of paurashavas make certain services, e.g., water and lighting, in greater demand than in the rural areas.

Revenues. The list of potential revenue sources available to paurashavas is contained in Appendix D. The only sources not available to paurashavas but which ZPs and UPs can levy (Appendix B) are the tax on hearths, the drainage rate, the rate for the remuneration of village police and the community tax. On the other hand, the Paurashava Ordinance allows for a site rate and a "cess on any of the taxes levied by Government," neither of which is included in the Local Government Ordinance.

The rates applied for lighting of streets, water and conservancy together with a general house tax are known collectively as "the holding tax."² All of these are applied against the annual value of the land and buildings with this value to be reassessed every five years.

¹One activity not directly mentioned in the Ordinance--provision of sand--is a special function provided by Comilla due to its unique location whereby it has purchased from the Government the right to remove sand from the local river and resell it to private interests.

²While the Rules and Other Statutory Notifications issued under the Municipal Administration Ordinance, 1960 and President's Order No. 22 of 1973 (p. 257) suggest that service-oriented rates, e.g., water, conservancy, and lighting, should be levied only against those receiving the services, at least one municipality visited taxes all properties whether or not in a service area.

The 1981-82 holding tax rate was 27 percent and 25 percent in Faridpur and Comilla, respectively. The subcomponents of this rate in Faridpur were: lighting, 3 percent; water, 7 percent; conservancy, 7 percent and the general tax of 10 percent. In Comilla the rates were: lighting, 2 percent; water, 6 percent; conservancy, 7 percent and also a 10 percent general or house tax.

The paurashavas also collect the property transfer tax. As in the zilla parishads, this tax is administered by the central government with proceeds transferred to the municipalities. Because of their urbanized nature, paurashavas are in a good position to impose taxes on businesses. Business-oriented taxes are levied in the form of license fees and taxes on cinema tickets and constitute an important source of locally-raised revenues. Similarly, market fees provide a potential source of revenue. Most paurashavas lease market stalls to vendors on a monthly basis.

The octroi was a major revenue source for these local government units prior to 1981 when it was abolished by the central government. The central government is supplementing a portion (75 percent) of the revenue loss associated with the abolishment of this tax through a supplemental grant.

Intergovernmental grants, both normal grants and work programme grants, are similar in form to those obtained by the previously-discussed levels of local government. However, as the name implies, the Rural Works Programme grants are supplanted in urban areas by an analogous, "Urban Works Programme." Paurashavas are also potential recipients of the DDB grants.

Actual revenues for Rangpur and Faridpur Kotwali Paurashavas for FY 1979-80 are shown in Table 9.¹ Since there is some difference in fund accounting in the two jurisdictions, direct comparisons of the data are not possible. Still, the data suggest a considerably greater local revenue effort in these paurashavas than for the UPs discussed previously. In terms of the flow of own-source income during that year, Rangpur collected Tk. 12.69 per person while Faridpur earned Tk. 15.52 (based on 1981 population). A portion of the difference is attributable to the fact that Rangpur created a separate water fund in 1978-79 rather than support this service directly from the general fund.

Several features stand out in Table 9. First, property-based taxes play a major role in these two jurisdictions constituting over one-fourth of own-source revenues in Rangpur and over 40 percent in Faridpur. Second, the concern expressed by many paurashava leaders over the termination of the octroi is also understandable when one sees the great reliance upon this revenue source in these two jurisdictions. While a portion of this levy is to be reimbursed to paurashavas through a central government grant, there is still concern that the growth in this grant will not equal the rate of increase in the octroi tax. For example, in Rangpur the octroi grew from Tk. 239,00 in 1976-77 to Tk. 349,000 in 1979-80, an increase of 46 percent; in Faridpur the growth over the same three year period was 51 percent. Third, fees, rents and profits are important revenue sources. Nineteen percent of own-source revenues were obtained from this source in

¹The term "Kotwali" is used to denote the headquarters paurashava within a district. Thus, Rangpur and Faridpur Kotwali Paurashavas are the municipalities within which the district headquarters are located.

TABLE 9
REVENUES IN RANGPUR AND FARIDPUR PAURASHAVAS, 1979-80

Revenue	Rangpur (1981 Population: 155,964)		Faridpur (1981 Population: 66,911)	
	Total	As Percent of Own Source	Total	As Percent of Own Source
Opening Balance	536,949		504,055	
House Tax	292,129	14.8%	248,329	23.9%
Lighting Tax	---	---	40,498	3.9
Water Tax	a	---	114,570	11.0
Conservancy Tax	253,920	12.8	89,425	8.6
Immovable Property Transfer	127,120	6.4	78,571	7.6
Tax on Erection of Buildings	6,899	0.4	10,778	1.0
Octroi	349,009	17.6	252,990	24.4
Tax on Professions	44,410	2.2	28,887	2.8
Vehicle Tax	115,599	5.8	35,577	3.4
Amusement Tax	254,138	12.8	14,638	1.4
Market Fees	120,263	6.1	0	0.0
Tax on Animals	---	---	0	0.0
Advertisement Tax	71	0.0	0	0.0
School Fees	---	---	7,002	0.7
Roads, Bridges & Ferries	---	---	0	0.0
Rents & Profits	376,808 ^b	19.0	94,015	9.1
Birth, Marriage, Feast Fees	91	0.0	0	0.0
Slaughterhouse Fees	0	0.0	0	0.0
Fines	300	0.0	---	---
Interest	---	---	20,016	1.9
Miscellaneous	38,558	2.0	---	---
Grants				
Normal	63,000	---	73,173 ^d	---
UWP	c	---	396,645 ^d	---
DDB	c	---	41,672	---
Total	2,579,264		2,054,049	
Total Less Opening Balance	2,042,315		1,549,994	
Total Own Source ^e	1,979,315		1,038,504	

- ^a Rangpur established a separate Water Fund in 1977-78
^b Includes School Fees.
^c Not included in General Fund.
^d Includes a contingency UWP grant of TK. 89,907.
^e Excludes opening balance.

SOURCE: Paurashava records.

Rangpur while about 10 percent of Faridpur's revenues were similarly earned. One major difference in the entries for the two jurisdictions regards amusement taxes. While it has been a major revenue source in Rangpur, its productivity in Faridpur is minor. This may be due to differences in the extent of "urbanization" between these two municipalities (with Rangpur having over twice the population of Faridpur) or may simply be due to differences in the administration of this levy.

As in the case of union parishads, it is difficult to explain the lack of difference in the normal grants provided to these two jurisdictions. Given their considerable population difference one might expect Rangpur to obtain a relatively larger amount of these grant monies. However, if the purpose of the grant is primarily to supplement elected officials' salaries, one should not expect a large difference in the size of these grants.

Expenditures. Because of their urban nature, paurashavas are likely to spend a smaller portion of their total budget on the transportation system than do either zilla parishads or union parishads. On the other hand, urbanization also makes it necessary to devote relatively more resources to the provision of street lighting, water, conservancy and sanitation facilities.

Actual 1979-80 expenditures for Rangpur and Faridpur Kotwali Paurashavas are shown in Table 10. When compared with similar data for union parishads, the most outstanding difference in spending patterns regards the proportions of total spending devoted for purely administrative purposes. Unlike the UPs, these two paurashavas spent no more than

TABLE 10
EXPENDITURES IN TWO PAURASHAVAS, 1979-80

Expenditures	Kangpur		Faridpur	
	Total	As Percent of Total Outflow ^a	Total	As Percent of Total Outflow
General Establishment	290,994	14.0	165,956	11.6
Tax Administration	242,039	11.6	68,496	4.8
Conservancy and Sanitation	594,115	28.6	355,022	24.9
Water Supply	0 ^b	0.0	83,452	5.8
Public Works	731,230	35.2	233,234	16.4
Markets and Slaughterhouse	13,945	0.7	180	0.0
Arboriculture	14,567	0.7	4,605	0.3
Civil Defense	294	0.0	---	---
Education	117,470	5.6	40,095	2.8
UWP	---	---	294,196	20.6
Miscellaneous	75,163	3.6	179,211	12.6
Advances and Deposits	830,255	---	295,574	---
Closing Balance	677,539	---	399,877	---
Total	3,587,611		2,119,898	
Total Less Closing Balance and Advances and Deposits	2,079,817		1,424,447	

^aOutflow defined as Total Expenditures Less Closing Balance and Advances and Deposits.

^bIncluded in separate Water Fund.

^cIncludes loan repayment of TK. 17,711.

SOURCE: Paurashava records.

one-quarter of their budgets on establishment. This then allowed them to devote considerably more resources to direct services such as public works, conservancy and sanitation.

While only two observations cannot lead to any strongly supported generalizations, the UP and paurashava data suggest that any governmental organization requires a certain amount of fixed overhead expenditures to carry on its business. Extremely small organizations thus find that a larger proportion of their small budgets must be devoted for this purpose leaving relatively little for developmental concerns.¹

Budgeting. The budget is similar to that discussed in the previous sections on the ZP and UP with the paurashava chairman having powers parallel to those of the union chairman. Again, the chief accountant prepares a preliminary budget which is discussed by the council with final approval obtained only after it is reviewed by the prescribed authority who can alter it. Audits of the financial records are carried out by the central government.

CONCLUSIONS

Since this paper is primarily descriptive with little or no analysis, it is difficult to reach many general conclusions and impossible to make strong policy recommendations. Nevertheless, issues have been raised here

¹A recent analysis of local governments in the Philippines led to a similar conclusion. See Roy Bahl, David Greytak, Kenneth Hubbell, Larry Schroeder and Benjamin Diokno, "Strengthening the Fiscal Performance of Philippine Local Governments: Analysis and Recommendations," Monograph No. 6, Metropolitan Studies Program, The Maxwell School (Syracuse, NY: Syracuse University, 1981).

which deserve additional comment. We therefore conclude by reviewing these issues.

Decentralization

Any discussion of the structure of local government, especially one that includes the linkage of that structure to the central government, cannot avoid consideration of the decentralization issue. The Second Five Year Plan, 1980-85 emphasizes the role of decentralization when it states, "Decentralization of development activities will...become imperative."¹ The Plan goes on to admit that presently, "almost all development planning and implementation of programmes/projects are done from the centre of the government" and, therefore, asserts that "local government institutions will have to be reorganized so that they can perform their development tasks efficiently."²

While it has not directly addressed the decentralization issue, the current paper has documented the close tie between the central government administration and all four levels of local government. The deputy commissioner acts as chairman of the zilla parishad with no popularly-elected decisionmakers included in the ZP while sub-divisional officers and circle officers have considerable control over the actions of thana parishads and lesser control over union parishad activities. Only paurashavas have considerable autonomy from central government administration.

¹Planning Commission, The Second Five Year Plan, 1980-85 (Dhaka: 1980) p. X-7.

²Ibid.

One should not expect local governments to be given total freedom and autonomy over their actions and, indeed, to do so would possibly be unwise and not necessarily in the best interest of the country. At the same time the question remains as to the efficacy of the current highly centralized orientation of the system. It is possible that the present structure stifles local initiatives or that the reliance upon multiple layers of decisionmakers in a country with high transportation and communications costs results in delays and inefficiency in taking actions. At issue, then, is how the costs associated with unintended mistakes that might occur with greater decentralization of power compares with the decision-making costs of a multi-layered, hierarchial structure.¹

Personnel Administration

A second issue addressed briefly in the current paper is the organization of personnel in these local governments. In part, this is related to the issue of the role of the central government in local government affairs. Much of the problem stems from the lack of qualified manpower, especially in more technical areas such as engineering. Given a shortage of talents crucial to successful implementation of most

¹It has been mentioned at several points throughout this paper that there currently is a move in Bangladesh to "decentralize administration." Since these plans have not been totally formulated it is too early to comment fully upon them. Nevertheless, it is important to recognize that administrative decentralization is not necessarily equivalent to decentralization of power to local governments. For the latter to occur it will be necessary that the administrative decisions taken at these lower levels be guided from below, e.g., through popularly elected representatives at the local level, rather than from above. In the absence of such participation all that will occur is deconcentration of administrative power rather than political decentralization.

development schemes, it is especially important that these personnel be organized in the most efficient manner.

Resource Mobilization

The financial data of the several local governments reviewed in this paper indicate that additional resources will have to be mobilized if the institutions are to play a key role in the development efforts of the nation. For example, if one aggregates the per capita spending of Faridpur Zilla Parishad, Kasiani Thana Parishad and Kasiani Union Parishad a total of Tk. 6.98 per person was being spent in 1980.¹ Assuming an average per capita income of Tk. 2,000, the ratio of local government spending to income is only 0.35 percent. The question that arises is whether additional resources can be mobilized to provide greater amounts of spending for these rural areas. While one might look to the central government for these resources, it too is financially strapped thus additional revenues will have to be mobilized locally.

Unfortunately, the current revenue structure provides local governments with minimal autonomy in the determination of revenue yields and should be altered. Zilla parishads rely on the central government to collect their major local revenue source, the immovable property transfer tax, while thana parishads have no own-source revenues available. Union parishads and paurashavas are, therefore, the only jurisdictions with significant freedom to act independently in determining and collecting the

¹ Computed from Tables 2, 6 and 7. Even this may be overstated since 1974 population data had to be used for the UP.

tax liabilities; however, they may be hindered by politicians who play a major role in the revenue administration process.

Greater revenue autonomy is unlikely, however, to be sufficient to produce expanded resource mobilization. It will also be necessary to broaden and/or reform the tax structure. Land-based taxes likely provide the key to this reform since land constitutes the wealth most accessible to taxation in these rural areas. The focus of such reforms is likely to be on improved administration of current land-based taxes.

Finally, even with greater revenue autonomy and improved administration, incentives to use this autonomy will be needed to bring about greater resource mobilization. The most reasonable vehicle for inserting such incentives into the revenue system is central government grants. Currently, the grant system does not appear to differentiate at all between localities putting forth greater or lesser efforts at mobilizing and effectively spending their own resources. By rewarding those jurisdictions that perform more effectively, the overall performance of the local revenue system can be strengthened.

While there is no reason to think that the structure of local governments in Bangladesh needs to be radically altered, there is room for improvement. Changes in personnel structure, decentralization of decision-making powers and increased possibilities and incentives to increase resource mobilization at the local level are areas in which such improvements might be forthcoming.

APPENDIX A

FUNCTIONS OF ZILLA PARISHADS*

PART I - COMPULSORY PARISHADS

1. Provision and maintenance of libraries and reading rooms.
2. Provision and maintenance of hospitals and dispensaries, including veterinary hospitals and dispensaries.
3. Provision, maintenance and improvement of public roads, culverts and bridges.
4. Plantation and preservation of trees on road sides and public places.
5. Provision and maintenance of public gardens, public playgrounds and public places.
6. Maintenance and regulation of public ferries other than those maintained by Government Departments.
7. Provision for management of environment.
8. Provision and maintenance of serais, dak bungalows, rest-houses and other buildings for the convenience of travellers.
9. Prevention, regulation and removal of encroachments.
10. Prevention and abatement of nuisances.
11. Holding of fairs and shows.
12. Promotion of public games and sports.
13. Celebration of public festivals.
14. Promotion of sanitation and public health.
15. Prevention, regulation and control of infectious diseases.
16. Enforcement of vaccination.
17. Protection of foodstuff and prevention of adulteration.

*The Local Government Ordinance, 1976. "The Third Schedule" (Dacca: Bangladesh Government Press, 1976), pp. 37-42.

18. Promotion of family planning.
19. Registration of the sale of cattle.
20. Provision of water-supply, construction, repair and maintenance of water works and other sources of water supply.
21. Agricultural, industrial and community development; promotion of national reconstruction; promotion and development of co-operative movement and village industries.
22. Adoption of measures for increased agricultural production.
23. Regulation of traffic; licensing of vehicles other than motor vehicles and the establishment and maintenance of public stands for vehicles.
24. Improvement of the breeding of cattle, horses and other animals, and the prevention of cruelty to animals.
25. Relief measures in the event of any fire, flood, hailstorm, earthquake, famine, or their natural calamity.
26. Co-operation with other organizations engaged in activities similar to those of the Zilla Parishad.
27. Any other functions that may be directed by Government to be undertaken by Zilla Parishads either generally or by a particular Zilla Parishad.

PART II - OPTIONAL FUNCTIONS

Lists 70 additional functions under the headings of:

- a. Education
- b. Culture
- c. Social Welfare
- d. Economic Welfare
- e. Public Health
- f. Public Works
- g. General

APPENDIX B

TAXES, RATES, TOLLS AND FEES WHICH MAY BE LEVIED BY
ZILLA AND UNION PARISHADS*

1. Tax on the annual value of buildings and lands or a union rate to be levied in the prescribed manner.
2. Tax on hearths.
3. Tax on the transfer of immovable property.
4. Tax on the import of goods for consumption, use or sale in a local area.
5. Tax on the export of goods from a local area.
6. Tax on professions, trades and callings.
7. Tax on births, marriages and feasts.
8. Tax on advertisements
9. Tax on cinemas, dramatic and theatrical shows, and other entertainments and amusements.
10. Tax on animals.
11. Tax on vehicles (other than motor vehicles), including carts and bicycles and all kinds of boats.
12. Tolls on roads, bridges and ferries.
13. Lighting rate.
14. Drainage rate.
15. Rate for the remuneration of village police.
16. Rate for the execution of any works of public utility.
17. Conservancy rate.
18. Rate for the provision of water works or the supply of water.

* The Local Government Ordinance, 1976. "The Fourth Schedule" (Dacca: Bangladesh Government Press, 1976), pp. 42-43.

19. Fees on applications for the erection and re-erection of buildings.

20. School fees in respect of schools established or maintained by local parishad.

21. Fees for the use of benefits derived from any work of public utility maintained by a local parishad.

22. Fees at fairs, agricultural shows, industrial exhibitions, tournaments, and other public gatherings.

23. Fees for markets.

24. Fees for licenses, sanctions and permits granted by a local parishad.

25. Fees for specific services rendered by a local parishad.

26. Fees for the slaughtering of animals.

27. Any other tax which the Government is empowered to levy.

28. A specific community tax on the adult males for the construction of public work of general utility for the inhabitants of the local area concerned, unless the local parishad concerned exempts any person involved of doing voluntary labour or having it done on his behalf.

APPENDIX C

FUNCTIONS OF UNION PARISHADS*

1. Provision and maintenance of public ways and public streets.
2. Provision and maintenance of public places, public open spaces, public gardens and public playgrounds.
3. Lighting of public ways, public streets and public places.
4. Plantation and preservation of trees in general, and plantation and preservation of trees on public ways, public streets and public places in particular.
5. Management and maintenance of burning and burial grounds, common meeting places and other common property.
6. Provision and maintenance of accommodation for travellers.
7. Prevention and regulation of encroachments on public ways, public streets and public places.
8. Prevention and abatement of nuisances in public ways, public streets and public places.
9. Sanitation, conservancy, and the adoption of other measures for the cleanliness of the union.
10. Regulation of the collection, removal and disposal of manure and street sweepings.
11. Regulation of offensive and dangerous trades.
12. Regulation of the disposal of carcasses of dead animals.
13. Regulation of the slaughter of animals.
14. Regulation of the erection and re-erection of buildings in the union.
15. Regulation of dangerous buildings and structures.

*The Local Government Ordinance, 1976, "The First Schedule" (Dacca: Bangladesh Government Press, 1976), pp. 83-84.

16. Provision and maintenance of wells, water pumps, tanks, ponds and other works for the supply of water.
17. Adoption of measures for preventing the contamination of the sources of water-supply for drinking.
18. Prohibition of the use of the water of wells, ponds and other sources of water-supply suspected to be dangerous to public health.
19. Regulation or prohibition of the watering of cattle, bathing or washing at or near wells, ponds, or other sources of water reserved for drinking purposes.
20. Regulation or prohibition of the steeping of hemp, jute or other plants in or near ponds or other sources of water-supply.
21. Regulation or prohibition of dyeing or tanning of skins within residential areas.
22. Regulation or prohibition of the excavation of earth stones or other material within residential areas.
23. Regulation or prohibition of the establishment of brick kilns, potteries and other kilns within residential areas.
24. Registration of births and deaths, and the maintenance of such vital statistics as may be prescribed.
25. Voluntary registration of the sale of cattle and other animals.
26. Holding of fairs and shows.
27. Celebration of public festivals.
28. Provision of relief measures in the event of any fire, flood, hail-storm, earthquake or other natural calamity.
29. Relief for the widows and orphans, and the poor, and persons in distress.
30. Promotion of public games and sports.
31. Promotion of family planning.
32. Agricultural, industrial and community development; promotion and development of co-operative movement, village industries, forests, livestock and fisheries.
 - Adoption of measures for increased food production.
 - Provision for management of environment.

35. Provision for maintenance and regulation of cattle pounds.
36. Provision of first-aid centres.
37. Provision of libraries and reading rooms.
38. Cooperation with other organizations engaged in activities similar to those of the Union Parishad.
39. Aid in the promotion of education under the direction of the Zilla Parishad.
40. Any other measures likely to promote the welfare, health, safety, comfort or convenience of the inhabitants of the union or of visitors.

APPENDIX D

TAXES, RATES, TOLLS AND FEES OF PAURASHAVAS*

1. Taxes on the annual value of buildings and lands.
2. Tax on the transfer of immovable property.
3. Tax on applications for the erection and re-erection of buildings.
4. Tax on the import of goods for consumption, use or sale in a municipality.
5. Tax on the export of goods from a municipality.
6. Taxes of the nature of tolls.
7. Tax on professions, trades and callings.
8. Tax on births, marriages, adoptions and feasts.
9. Tax on advertisements.
10. Tax on animals.
11. Tax on cinemas dramatic and theatrical shows and other entertainments and amusements.
12. Tax on vehicles, other than motor vehicles and boats.
13. Lighting rate and fire rate.
14. Conservancy rate.
15. Rate for the execution of any works of public utility.
16. Rate for the provision of water works or the supply of water.
17. Cess on any of the taxes levied by Government.
18. School fees.
19. Fees for the use of benefits derived from any works of public utility maintained by a Paurashava.

* Paurashava Ordinance, 1977, "The First Schedule" (Dacca: Bangladesh Government Press, 1977), pp. 47-48.

20. Fees at fairs, agricultural shows, industrial exhibitions, tournaments and other public gatherings.
21. Fees for markets.
22. Fees for licenses, sanctions, and permits granted by a Paurashava.
23. Fees for specific services rendered by a Paurashava.
24. Fees for the slaughtering of animals.
25. Any other fee permitted under any of the provisions of this Ordinance.
26. Any other tax which the Government is empowered to levy by law.