Local Government Issues and Way Forward

International Workshop on Decentralization in Bangladesh

EDITED BY

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Preface
A two day International Workshop on Decentralization was organized by the Local Government Division, Ministry of LGRD & Co-operatives with support from the Power and Participation Research Centre. Leading policy-makers, academics, NGO leaders, local government functionaries, politicians, media and donor representatives from Bangladesh and abroad took part in the discussions. Honorable Minister of LGRD & Co-operatives Abdul Mannan Bhuyian, MP inaugurated the workshop at 10 a.m. on 9th March, 2002 at the LGED Bhavan. In total, four technical sessions were held: Political Economy of Decentralization, Administrative Decentralization and Accountability, Issues in Fiscal Decentralization, and, Issues in Implementation and Sequencing. Key issues raised were discussed in split working groups and recommendations presented in a closing plenary session.

Papers were presented by Hossain Zillur Rahman (Bangladesh) and George Mathews (India) in the political economy session; by Abdul Muyeed Chowdhury (Bangladesh) and S.M.M. Vijayanand (India) in the administrative decentralization session; by Salehuddin Ahmed (Bangladesh), Roy Kelly (USA) and Dipak Sanan (India) in the fiscal decentralization session; and by Tofail Ahmed (Bangladesh) and Junaid Ahmed (World Bank) in the implementation and sequencing session. Inaugural, technical and closing sessions were chaired by A.Y.B.I. Siddiqui, Professor Muhammad Yunus, Akbar Ali Khan, Mujibul Huq, Kamaluddin Siddiqui and Zakir Ahmed Khan. Ziaul Huq Zia, MP, State Minister and Advocate Ruhul Quddus Talukder, MP, Deputy Minister, Ministry of LGRD & Co-operatives were present in the inaugural and closing sessions.

With renewed national and international focus on the potential of decentralization for accelerating the reduction of poverty, the Workshop proved to be a particularly timely event. Participants were keen that the workshop did not remain a mere academic exercise but strive to produce realistic agendas for real-life issues. The wealth of regional and international experiences provided in many of the papers helped to put the challenges facing Bangladesh in a useful perspective.

Workshop Reports are a step towards knowledge capitalization i.e. ensuring that the richness of the presentations and discussions become available in usable formats for the many future steps which are necessary to pursue the agenda of decentralization. There was a healthy acceptance that there are no magic solutions. Every step counts if undertaken with perseverance, intelligence and knowledge. It is our hope that this Report will prove to be useful for all those striving to advance the decentralization agenda.

Hossain Zillur Rahman
Workshop Facilitator
Dhaka 17-04-2002

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Acknowledgement

The International Workshop on Decentralization on 9-10 March, 2002 was made possible by the support and inputs from a number of organizations and individuals. The Local Government Division, Ministry of LGRD & Co-operatives was the lead agency with organizational and facilitation support from the Power and Participation Research Centre (PPRC) and logistical support from the Local Government Engineering Department (LGED). Generous financial support was extended by the Swiss Agency for Development Co-operation, The World bank, Department for International Development, UK and UNDP. The preparation of the Workshop Report has been the responsibility of the PPRC in association with Pathak Shmabesh.

The contributions of the following persons should be mentioned:

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PART ONE

INAUGURAL SESSION

Inaugural Address

Assalamu Alaikum,

It is my pleasure to be present here at the opening of this International Workshop on “Decentralization in Bangladesh: Local Government Issues and Way Forward”. A strong and autonomous local government system is required to achieve economic development and social justice in Bangladesh. To fulfill the constitutional requirement and with a commitment to empowering the people through a strong local government structure, the present democratically elected government is sincere towards welfare of the people from village to city. We strongly believe that local government is the key stair of the unitary form of government to ensure good governance at grass root level. The transparency and accountability of local government is the prime need for sustainable good governance that is emphasized in the present local government reform process.

Decentralization is an important part of our state policy. Our government is examining with due importance all suggestions from various corners. We hope that different innovative exercises and practices will lead us to achieve our destination for poverty-free welfare society. At our end, we are also examining the local government issues though a cabinet committee headed by myself. I may assure you all that our government will do whatever is the best through consultations with experts and other relevant persons. With this end in view, we have organized this international workshop and hope that this workshop will come up with specific recommendations on the decentralization in Local Government institutions. However, we have to train up our local bodies and build their capacity for handling their affairs and therefore, we should also arrange for capacity building of the local bodies as we prepare to decentralize.

We have learned from the past and it is my belief that in near future we will find solutions which will ensure a capable, productive and equitable society for today. Ladies & gentlemen, I would now conclude with expectation of fruitful results and specific recommendation from this workshop.

"Allah Hafez. Bangladesh Zindabad"

Mr. Abdul Mannan Bhuiyan, MP
Hon’ble Minister of Local Government
Rural Development and & Cooperatives
Government of the People's Republic of Bangladesh
Hossain Zillur Rahman

Bangladesh

The Challenges of Decentralization

Keynote paper

(Abridged version of the paper on political economy of decentralization)

Why Decentralisation?

How critical is decentralisation? The very posing of such a question may come as a surprise insofar as attitudes to this issue have for a long while assumed almost an axiomatic character. The question of ‘why’ tends to be taken as self-evident; the issue is projected mostly as one of ‘what’ and ‘how’. Recent empirical evidence, however, is beginning to underscore the importance of re-visiting the ‘why’ aspect of the issue. A compelling case in point is that of Bangladesh where significant gains in the poverty field have occurred without any commensurate advances in the decentralisation agenda. Notwithstanding weak local governments, Bangladesh has made remarkable strides in a host of areas including food production, safety net programmes, rural infrastructure, credit provision, primary education, child immunisation, family planning, drinking water provision all of which have translated into major gains in the fight to reduce poverty. While the decentralisation agenda has languished except on some aspects of the electoral frontier, there has thus been no necessary vacuum in local-level development with a number of important initiatives by NGOs and central government agencies.

How useful then is it to base the focus on strengthening local governments merely on a substitution argument, i.e. have local governments do what central agencies like LGED on rural infrastructure and NGOs on primary schooling and health-care are perhaps already doing well? Once posed in these terms, a substitution argument per se thus appears not to offer a compelling enough basis for engaging with the issue of local governance. Far from being self-evident, the ‘why’ aspect of the issue clearly merits a fresh look.

The rationale for a new engagement with the issue of local governance arises most critically from the very nature of the poverty trends itself. We have already noted that Bangladesh has made impressive gains in many aspects of the poverty challenge, gains in which NGOs and central agencies have played the larger role. However, once all gains have been accounted for, the net rate of reduction of poverty in the 1990s appears to be stuck at around one percentage point of year.1 There is thus a major challenge of re-visiting existing strategies towards a radical scaling up of the rate of poverty reduction. It is this context of a scaled-up attack on poverty which lends urgency for a new engagement with the issue of local governance.

The focus thus is not merely on local governments as project implementing agencies. It is rather on local governance as a political and institutional process which can contribute to the required scaling up of the rate of poverty reduction through enhancing the developmental choices available at the local level and a better inclusion of all social groups in these choices.
The Realpolitik of Reform Dynamics

It is easy to get swept along in the normative discourse on local government in Bangladesh. Ideal-type solutions abound. The cycles of hopes and frustrations, however, are regular enough to warrant a closer look at the underlying sociology of the discourse. This reveals certain constants in the pursuit of reform agendas which can be seen to constitute as it were the realpolitik of reform dynamics. An exploration of this realpolitik is crucial both to understand the true reach of reform initiatives and to avoid the trap of ineffectual normative debates. Four features of this realpolitik stand out:

1 Tier Experimentation

Though over a hundred years old, local government in Bangladesh has been more an area of policy experimentation than one of stable institutional development. Since the emergence of Bangladesh as a sovereign nation, institutional continuity has been provided only by Union Parishads and later on Pourashavas (Municipalities). The law currently provides for four tiers: village, union, thana and district but political and administrative consensus on what a stable structure should be is yet to coalesce. The sense of experimentation is perhaps a sign of a fledgling democracy finding its feet but it certainly is a major barrier to institutional development of the sector.

2 Accountability versus Development Administration

Policy attention to local government in Bangladesh has always found it necessary to balance the demands of the accountability principle with those of effective development administration. The precise nature of such balancing have not necessarily been conducive to consolidating a process of institutional and political growth of the local government sector. However, notwithstanding the outcomes, there is a certain durability in what may be seen as the official “approach” to reform ideas. The overriding principle at work is to ensure a close supervision of local governments by central administration and a pre-eminent central jurisdiction on local development while at the same time allowing the space for a local political process. The “approach” born of this principle moves on an implicit bifurcation whereby accountability issues are emphasised for the lower tier and development administration issues for the upper tiers. More often than not, the goals of accountability and development administration thus come to be pursued in isolation from each other resulting not in what one author has called an 'unresolved wrangle' but rather in an in-built barrier to effective local governance.

3 General versus Specific Powers

Powers and responsibilities of local governments are invariably defined in general and vague terms while the powers of the central government are enshrined in specific and precise terms. For example, the general power of the Union Parishad is to maintain law and order but the specific powers in this context lie with the magistracy and the police in terms of powers of arrest, bail and so forth. At the ground level, it is always the specific power which has the teeth while the general power cannot graduate beyond being a declaration of intent. The enfeeblement of local government bodies thus produced is compounded by a certain one-sidedness in the public discourse which exults when more general responsibilities come within the purview of local government bodies but rarely produces a focussed engagement with the specific issues of powers and jurisdictions.

4 The ‘Wheat Culture’ of Local Development

A defining empirical landmark in the evolution of a development culture at the local level was the introduction of food aid in association with the Basic Democracy programme of the 1960s. "Wheat" became the new language of development leading on to the emergence of an enduring nexus binding politicians, administrators and local government functionaries in a truncated vision of development built on institutionalised corruption. Though food aid went on to play its own important role in addressing rural poverty, 'wheat culture' became entrenched
as a fundamentally distorting influence shaping the developmental visions of politicians and local government leaders. Much of the criticism here has focussed on the aspect of corruption but perhaps the more significant and less understood issue has to do with the ‘wheat culture’ being an imposed style of political accommodation between aspiring local government leadership and the bureaucratic state.

5 An Absence of Champions

While there is no shortage of general advocates on decentralization, there is a fundamental absence of "champions", i.e. organised actors who can or care to drive the local government agenda as a consistent strategic goal. This is true both of the political and the bureaucratic power centres, indeed also of the NGO sector. In all these three cases, attitudes appear to be implicitly influenced by notions of zero-sum competition over control of the development process (in the case of national-level politicians), control of power (in the case of bureaucrats) and access to donor resources (in the case of NGOs). The local government sector itself too has not generated any organised forums which could have spearheaded the role of ‘champions’. In the absence of ‘champions’, the decentralization agenda is continuously rendered toothless.

Local Governance: Towards a Politically Intelligent Agenda

As has been noted already, a perennial weakness of the local governance discourse in Bangladesh has been its excessively normative orientation. The challenge first and foremost, therefore, is to engineer a shift in the discourse towards greater political intelligence. There are five core components to such a discourse shift.

Understanding the 'Permitted' Space for Reform

Any meaningful pursuit of decentralization must be clear of the priorities which matter, namely, supervised development administration for the bureaucratic elite and electoral experimentation for the political elite. These two poles describe what may effectively be seen as the permitted space for reform. There are two crucial insights here relevant to new agenda-building:

1 Development administration is a key component of the permitted space but it has been effectively left to be a discourse of the bureaucrats. This has only ensured that it is the bureaucratic rather than local governance perspectives which have come to shape the directions for change in development administration at the local level. Engaging on the specifics of development administration policy will be one of the key entry points for a discourse shift on local governance.

2 Macro actors, in particular the state bureaucracy is inherently resistant to jurisdictional concessions to local governments. Agenda formulations which accord jurisdictional demands an upfront place thus routinely fall foul of such entrenched bureaucratic resistance. The critical insight to note here, however, is that while the bureaucratic power centre is rigid on jurisdictional concessions, it is not necessarily so when it comes to the development of functional spaces at the local level. There is in other words a clear contrast between jurisdictional rigidity and functional openness which mark macro attitudes to the local governance agenda. From an agenda-building perspective, the key operational message here is about sequencing i.e. the political wisdom of placing the development of functional spaces ahead of pure jurisdictional demands. The clearest example of the 'success' of this approach is provided by the well-known 'Comilla initiative' of the 60s which served to achieve a wholly new functional space at the local level as embodied in the TTDCs (Thana Training and Development Centre) without any major upfront jurisdictional victories. Functional openness thus has to be seen as a critical aspect of the permitted space. Engaging more robustly on this potential is central to developing a more politically intelligent agenda.

Investing in a New Strategic Focus
Is local governance only about electoral participation? Is it only about service-delivery? With poverty reduction stuck at a best-case scenario of one percentage point reduction a year, the urgency of a scaled-up attack on poverty point towards a new strategic frontier in which to forge the local governance agenda, namely, the facilitation of local economies for faster poverty reduction. In many ways, such a focus is a novel one for Bangladesh but changing ground realities make such a focus an increasingly relevant one.

With migration and multiple livelihoods as dominant features of the new ground reality facing the poor, a local economy perspective has become the relevant reference frame in which livelihood strategies for a scaled-up attack on poverty are best forged. A local economy perspective is to be distinguished from prevalent sectoral or micro household perspectives as also from traditional notions of village economy. The perspective being argued is more accurately a meso economy perspective. What imparts the novelty to such a perspective is the changing ground realities such as the growing rural urban continuum which now define the 'local'. In an earlier era, the programmatic understanding of such a focus would have been captured by terms such as 'integrated rural development' or 'local-level planning'. The current emphasis on a local economy perspective, however, marks a radical departure on such earlier meanings. The concern is less about sectoral programmatic focus per se underscored by bureaucratic notions of co-ordination. It is more about positing a new action goal, namely, that of a regeneration of the local economy by which the pursuit of multiple livelihoods by the poor is best empowered.

What of the vehicle(s) by which the goal of 'regenerating the local economy' is to be achieved? This is where a focus on local governance becomes of critical relevance. The cast of actors who matter here extend well beyond the traditional focus on local governments as they also cut across traditional sectoral or rural-urban boundaries. The challenge really is of multiple livelihoods, of linkages and a critical expansion of local opportunity frontiers, and of bringing within mainstream attention any categories of 'missing poor'. Such a menu of tasks do not fit easily within traditional sectoral or decentralisation approaches. What is required rather is a governance focus with a twist, namely, a primary orientation to livelihood issues and embracing the possibility of enlisting categories of actors beyond local governments per se. Interestingly, it is precisely in adopting such a livelihood-oriented governance focus that the real possibilities of a decentralisation agenda lie in the current balance of political and administrative power.

Rethinking Institutional Strategy

The re-orientation of agenda-building is incomplete without touching on the issue of agency.

In many ways, the rise of the NGOs in Bangladesh as a hegemonic non-state actor in the conceptual universe has for a long while now obscured the question of agency in the discourse. From the hegemonic state-centric model of yesteryear to the new hegemony of the NGO-centric model, other actors, both legitimate and socially real, have found it hard going to find a place in the conceptual universe. The empirical analysis in this study clearly challenge the validity of either of these state-centric or NGO-centric model of agency. Instead, what the evidence points to is a multi-agent reality in which no single agent, be it government agencies or NGOs or community capacities, singly hold the key to the question of agency. All of the identified cast of actors are legitimate and relevant actors in the lived reality of governance in Bangladesh.

The presence of many actors, however, does not simply imply diversity; there is a certain matching of actors to roles. Thus, NGOs are not deemed relevant to the 'dispute resolution' or 'law and order' types of governance needs. At the same time, traditional elders are not seen as the relevant agent category in the field of development. Such actor-role matching is not primarily a matter of functional specialisation; today's actor could very well graduate to a new role tomorrow. The actor-role matching in the first instance is better understood as an expression of social legitimacy.

Arguing a multi-agent analytical framework thus is not intended to imply any ready-made operational model to institutional strategy. The argument in the first instance is more
appropriately read as pointing towards an opportunity map which makes explicit the cast of actual and potential actors relevant to the governance discourse and the potential for synergies indicated in their respective role specializations.

There is also a need for a mind-set shift towards a coalition approach to institutional strategy. Not only is no one actor up to the challenge of realising the challenge of a strong and viable local governance, the sum of many actors acting individually may also not suffice. The need really is to get a sum which is greater than its parts. A new approach is thus called for, one built around the idea of coalitions i.e. understood both as process and as working arrangements in which the energies of the government, local governments, NGOs, civil society and entrepreneurs find a virtuous fusion.

Such a transition is, of course, unlikely to happen overnight since a coalition approach is far from being the ‘natural’ tendency of our key development actors. 'Thinking coalitions' has thus to be the first step towards the new approach; within our prevailing institutional culture, it is a step which will require an active process of propagation.

A clarification may be useful here on the type of coalition which is being hinted at. It is not the case that the idea of coalitions is totally absent in the prevailing institutional milieu. However, what tends to go by the idea of coalitions currently is a coming together of the same type of actors, i.e. coalitions among NGOs etc. What is being emphasised in the present context is coalitions across boundaries i.e. local governments and NGOs, local governments and private sector, local government, NGOs, private sector and support institutions and so on. It is also important to emphasise that we are not talking here about an inflexible notion of coalition built around a fixed focal point. The idea rather is about context-specific coalitions built around specific goals.

Resolving a New Tension: MP’s Constituency Role and Local Government

To round up our discussion, we may cast a brief look at an issue which has gained great currency in current discussions on local government reforms, namely how the role of the Member of Parliament interfaces with the role of local government.

There are three dimensions to MP’s developmental and constituency role:

1. Lobbyist for constituency to central government
2. Developmental
3. Grievance Redressal Channel i.e. local ombudsman

How are these roles operationalised and what significance do they carry for the discussion on local governance?

Lobbyist

This is a political role. There is no issue here as such of developing formal procedures.

Developmental

There is clearly a question here of formalising this role. This is also the area where tensions vis-à-vis local governments can arise in the absence of clear and appropriate guide-lines. In developed countries, this role has been phased out over a long historical process. In developing countries, this role is still very much present but the institutional mechanisms vary. Currently, this role is institutionalised through the strong advisory role given to MPs over local government projects. Since 1997, the advisory role has even extended to union parishads.
An advisory role of MPs over local government projects is not conducive to building a viable local government system. This is clearly not the optimal developmental role for the MP. This is also the conclusion when one looks at other country experiences.

The optimal developmental role of the MP has the following components:

1. No formal selection or approval role over local government projects but informal roles of suggestion and monitoring

2. Control over a formally specified sum of central government funds for local development for the following purposes:
   - emergency schemes
   - innovative schemes

3. The MP's right here is to select and monitor but technical screening and implementation will be through regular administrative channels.

Variants of this model run in most developing countries. Philippines appears to have the worst variant in that the money is given to the MP without much screening leading to widespread corruption. Thailand has recently done away with the system. India follows a more structured system under the title Local Area Development Schemes. Bangladesh can lead the way by concentrating attention on innovative and emergency schemes.

Grievance Redressal

Currently this is not a formal role but a very strong informal role centred around tadbir. However, in developed democracies and even in many developing countries, this role has been formalised through:

- The MP having a formal office in the constituency
- Having specified assistance to record and scrutiny grievances and maintain a data-base on grievances
- Formally channeling grievances to appropriate authorities for redressal
- Monitoring progress on redressal.

For the above roles to become effective and socially useful, attention has to be given to three other issues:

1. The respective roles and functions of upazila parishad and union parishad need to be rationalised

2. Administrative protection of central government officials at local levels in the performance of their legally specified duties

3. Encouraging the emergence of user groups and citizen bodies as an additional aspect of a balance political system.
George Mathews*

Political Economy of decentralization

Decentralisation in India: The rural local bodies

The Panchayati Raj Institutions "have not been able to acquire the status and dignity of viable and responsive people's bodies due to a number of reasons including absence of regular elections, prolonged suppressions, insufficient representation of weaker sections like Scheduled Castes, Scheduled Tribes and women, inadequate devolution of powers and lack of financial resources... In view of the shortcomings which have been observed, it is considered that there is an imperative need to enshrine in the Constitution certain basic and essential features of Panchayati Raj Institutions to impart certainty, continuity and strength to them."

These were the words with which the then Union Minister for Rural Development G Venkat Swamy introduced the 72nd Constitution Amendment Bill in the Parliament in September 1991. On 22 and 23 December, 1992 the Lok Sabha and Rajya Sabha passed the said bill as 73rd Constitution Amended Act and later, within a few months, the basic and essential features of panchayats were enshrined in the Constitution.

Are the Panchayats any different now that the unanimous passage of the 73rd Constitution Amendment is entering the tenth year? Have the last nine years lent certainty, continuity and strength to them? What are the lessons for decentralisation we learn from the Indian experience?

There are several positive developments and achievements since the local bodies got Constitutional status. They are:

1. Increased participation of hitherto excluded sections of the population (tribals, lower castes, etc.)
2. Women's involvement in public life through elections (not less than one-third seats are reserved for women; thus more than one million women got elected into the local bodies).
3. Development of a thinking that democracy at the grass roots level is a necessary condition for strengthening democracy at the State and national level.
4. Popularisation of the concepts of decentralised planning and people's participation in development.
5. Increased concern about corruption and use of public funds.
6. Demystification of governance.

However, there is a general feeling that the optimism that was generated about the panchayati raj following the passing of the 73rd Amendment is waning because the politicians, bureaucrats and the feudal forces have joined hands to work against these grass roots institutions.

Certain developments which will negatively affect the working of panchayats is causing serious concern.
Posponing Panchayat Elections: Several state governments have not taken the provision of the Constitution to hold elections on the expiry of the five-year term of the panchayats seriously. Article 243-B of the Constitution is categorical that there shall be in every State, Panchayats at the village, intermediate and district levels and that (i) every Panchayat shall continue for five years from the date appointed for its first meeting and no longer, and (ii) election to constitute a Panchayat shall be completed before the expiry of its five-year duration or within six months of its dissolution (Article 243 E (1) and (3)).

Political parties are keen to capture panchayats from the village level itself and the ruling party/ies in the States are afraid of facing the people either midway or at the fag end of their term. It must be said to the credit of India's maturing democracy that every election is unpredictable, parties cannot take people for granted. We have seen situations like the one in Karnataka (1999) or Andhra Pradesh today where opposition parties also join hands with the ruling party/ies to postpone elections because of their fear of facing the panchayat electorate. In some cases, they sponsor indirectly writ petitions in the High Courts to obtain injunction of the court on the holding of elections.

The problem is that the State Election Commissions are succumbing to the pressures of the state governments. However, there have also been exceptions like Orissa and Andhra Pradesh. State Election Commissions which have successfully withstood undue pressures and discharged their constitutional obligations.

The cases relating to the panchayat elections take a long time to decide. The classic one is that of Bihar. On 9 April 1996 the state government went in appeal to the Supreme Court against the Patna High Court verdict invalidating reservation for backward classes. The apex court referred the case to the Constitution Bench in July 1997. The hearing on this case has not yet begun.

The critical factor working against the panchayats is that the state governments have a tendency to treat them as poor cousins of higher governance and administrative system. In the eyes of the Constitution a Member of Parliament or a Member of Legislative Assembly or a Member of Panchayat - all are at par in the democratic set up. Only their powers and roles differ according to the constituency they represent. A Supreme Court ruling could bring about this much needed democratic culture.

Parallel Structures: An unfortunate development by-passing the elected panchayats is the setting up parallel structures, mostly parastatal at the district level. Funds are placed under the disposal of these registered bodies by ministries and departments. The line ministries at the Centre and the line departments in the States also undertake many centrally-sponsored or state-sponsored schemes ignoring the panchayats. Mention may be made of some programmes one could consider as "parallel structures" which defy the authority of people's elected representatives.

1. DISTRICT RURAL DEVELOPMENT AGENCY (DRDA): Some states - Kerala, Madhya Pradesh and Karnataka - had merged DRDAs with the Zilla Panchayats. But now there is a move to revive them. The latest thinking in the Ministry of Rural Development is to make a Member of Parliament of head of DRDA with the District Collector as its secretary.

2. WATERSHED DEVELOPMENT PROGRAMME (WDP): Ministry of Agriculture and Rural Development as well as some NGOs implement this programme. Even though there is no difficulty in allocating funds meant for watershed development in the districts to the zilla panchayats it is not being done.

3. JOINT FOREST MANAGEMENT COMMITTEE (JFMC): Today, JFMCs work under the Ministry of Environment and Forests and they have no accountability to the gram sabha or gram panchyat or panchayat samiti. Even in Scheduled areas where the role for panchayats in afforestation, social forestry and minor forest produce is greater, JFM operates independently of the local elected bodies.
DISTRICT PRIMARY EDUCATION PROGRAMME (DPEP): The 73rd Constitution Amendment Act, 1992 enjoins the State Governments to transfer education, which includes primary and secondary schools, technical training and vocational education, and adult and non-formal education, to Panchayats. The District Primary Education Programme (DPEP) funded by World Bank covers about 150 districts in selected states. A study to understand interlinkages between DPEP structures and Panchayati Raj institutions in four states - Haryana, Maharashtra, Karnataka and Bihar was carried out by the National Council of Educational Research and Training (NCERT). The findings show that the DPEP is functioning as a parallel body with no active interlinkages with Panchayati Raj institutions.

JANMABHOOMI: In Andhra Pradesh Janmabhoomi programme has come as a big blow to the panchayats. "Andhra is a company, people are shareholders and the Chief Minister the General Manager" is the motto of the Janmabhoomi programme launched on 1 January 1997, based on the South Korean programme of development and experience: Saemaul Undong (New Community Movement). During the nine rounds of the Janmabhoomi, the state government had earmarked Rs. 1521.89 crore. The government share works out to be Rs. 975.95 crore. The state funds have been diverted from the allocations for Central Schemes such as Employment Assurance Scheme, Rural Water Supply Scheme, Jawahar Rozgar Yojana, Integrated Tribal Development Agency, DPEP, National Slum Development Programme, etc. Sweeping powers are given to the "nodal officers". A study by the National Institute of Rural Development (NIRD), Hyderabad, concludes: It has sidetracked the Panchayati Raj institutions and other local bodies by maintaining parallel system of administration by according more importance to MLAs and other politicians".

DISTRICT GOVERNMENTS: Early 1999, Madhya Pradesh introduced the District Government consisting of the minister from the state government, district collector, MLAs, MPs from the area and the Zilla Panchayat representatives. Wide powers have been conferred on the district government. The collector would virtually be the chief executive of the district government gaining power immensely. All this has been done by making use of Article 243 ZD for the creation of the District Planning Committee. The title of District Government should have been conferred on a decentralised democratic body such as the Zilla Panchayat, for the ZP is a body elected by the people in the District. Bypassing the Zilla Panchayat, Madhya Pradesh now has a non-elected District Government. It has two implications. (a) Zilla Panchayat President's status and position have been reduced and the ZP has become second to the so-called district government (b) A clear parallel structure has been created through the district government which is not a constitutional body. It will have far-reaching consequences for the development of panchayati raj system.

THE MPS LOCAL AREA DEVELOPMENT SCHEME (MPLADS): The MPLADS was announced by the Prime Minister in Parliament on 23 December 1993. Each had the freedom to suggest to the district collector, works to be done by a sum not exceeding Rs. 1 crore per year within his/her constituency. Twenty-three specific schemes such as constructing school buildings, village roads, bridges, common shelters for the old, buildings for gram panchayats, hospitals or cultural/sport activities, digging of tube wells, etc., besides any other scheme specified by the Union Government from time to time, come under the local area development scheme. Incidentally, all these come under the panchayats and municipalities. The funds are released to the District Collector by the Ministry of Rural Development. Rs. 10 lakh was the maximum for any single work. Today, the total amount under the scheme for an MP is Rs. 2 crores.

E.S. Venkataramiah, former Justice of Supreme Court, has stated that the MPs Local Area Development Scheme is assaulting the Constitution. The 11th Schedule (Article 243G) and 12th Schedule (Article 243 W) contain the list of 47 subjects - the related programmes and works are the prerogative of the local governments. Strictly speaking even these are not exhaustive as the state legislatures are free to go to any length. Now MPs have developed their own priorities and huge funds are kept under their disposal? Several reports have suggested that the MPLADS funds are being misused or have remained unutilised by the Members of Parliament. The states also have started imitating the Centre. Schemes have been launched for the MLAs and MLCs as well with Rs. 20 lakh to Rs. 50 lakh range.
Eleventh Finance Commission Observations: The Report of the Eleventh Finance Commission (EFC) is a damning indictment of the working of the panchayats and the handling of this critical area of governance by the state governments. After extensive consultation with the central and state governments, representatives of panchayats and municipalities, and various other organisations, the Eleventh Finance Commission has come to the conclusion, based on a study of the National Institute of Rural Development, Hyderabad, that the 73rd Constitution Amendment has not significantly altered the functional domain of the panchayats at various tiers. One of the serious concerns of the Commission has been that the panchayats have been marginalised by the centre and the states by sponsoring schemes for rural areas without associating these bodies in thier planning and implementation. The centrally-sponsored schemes or the state-level schemes for provision and improvement of civic services have not been transferred to the local bodies for grassroots level planning implementation. The EFC has found that the maintenance of panchayat accounts and their audit is deplorable. The database is poor and no reliable data is available on finance, budget needs, and basic civic and development functions. This is unfortunate situation of the Panchayats underlined by the Commission even after 7 years of the Constitution making it ‘institutions of self governance.’

An important observation of EFC about SFCs calls for our attention. Many states have not followed the basic qualification required for the SFC members. Therefore, in some states “serving government officers are appointed as chairperson and members of the SFCs and that to in ex officio capacities. This puts limitation on the ability of the SFC to act as an autonomous body to make recommendations in a free and independent manner, as has been envisioned in the Constitution.”

The problems are systemic: While everybody is pointing an accusing finger at the panchayat members and presidents saying that they are incompetent, inefficient and corrupt, no one recognizes the fact that they are after all part of the same system which harbours incompetence, inefficiency and corruption. For them the role models have been created by the elected representatives at the higher levels in the four decades prior to the passing of the 73rd Amendment as to how to contest elections, how to deal with officials as far as development schemes are concerned and how to mobilize resources for the next election. According to a study by Jean Dreaze, in most states the main responsibility of a sarpanch is to oversee various development programmes, such as the Jawahar Rozgar Yojana and the Indira Awas Yojana. Attached to these schemes, in many cases, is an organized system of loot of public resources, which requires the sarpanch to “redistribute” some of the development funds to various officials, varying from the Gram Sevak to the Junior Engineer, Block Development Officer, and others at different steps of the ladder. Often the shares are pre-specified. According to Jiraja Gopal Jayal, in Uttar Pradesh "the percentages due to various officials and elected representatives are fixed ... the commission amounts are openly announced in the panchayat meetings, and rarely provoke any protest."

Who is to blame for this state of affairs? The panchayats, their representatives or the system? The politicians at the Centre and State levels, the officials at all levels, the upper caste leaders, the rich and powerful and other vested interests would be happy if the baby is thrown out with the bath water.

But in India the Panchayats are here to stay.
Why Decentralisation?

How critical is decentralisation? The very posing of such a question may come as a surprise insofar as attitudes to this issue have for a long while assumed almost an axiomatic character. The question of 'why' tends to be taken as self-evident; the issue is projected mostly as one of 'what' and 'how'. Recent empirical evidence, however, is beginning to underscore the importance of re-visiting the 'why' aspect of the issue. A compelling case in point is that of Bangladesh where significant gains in the poverty field have occurred without any commensurate advances in the decentralisation agenda. Notwithstanding weak local governments, Bangladesh has made remarkable strides in a host of areas including food production, safety net programmes, rural infrastructure, credit provision, primary education, child immunisation, family planning, drinking water provision all of which have translated into major gains in the fight to reduce poverty. While the decentralisation agenda has languished except on some aspects of the electoral frontier, there has thus been no necessary vacuum in local-level development with a number of important initiatives by NGOs and central government agencies.

How useful then is it to base the focus on strengthening local governments merely on a substitution argument, i.e. have local governments do what central agencies like LGED on rural infrastructure and NGOs on primary schooling and health-care are perhaps already doing well? Once posed in these terms, a substitution argument per se thus appears not to offer a compelling enough basis for engaging with the issue of local governance. Far from being self-evident, the 'why' aspect of the issue clearly merits a fresh look.

The rationale for a new engagement with the issue of local governance arises most critically from the very nature of the poverty trends itself. We have already noted that Bangladesh has made impressive gains in many aspects of the poverty challenge, gains in which NGOs and central agencies have played the larger role. However, once all gains have been accounted for, the net rate of reduction of poverty in the 1990s appears to be stuck at around one percentage point of year.1 There is thus a major challenge of re-visiting existing strategies towards a radical scaling up of the rate of poverty reduction. It is this context of a scaled-up attack on poverty which lends urgency for a new engagement with the issue of local governance.

The focus thus is not merely on local governments as project implementing agencies. It is rather on local governance as a political and institutional process which can contribute to the required scaling up of the rate of poverty reduction through enhancing the developmental choices available at the local level and a better inclusion of all social groups in these choices.

Local Government Changes: An Overview

Though over a hundred years old, local government in Bangladesh has been more an area of policy experimentation than one of stable institutional development. The Bengal Local Government Act of 1885 provided the first framework with provisions for local governments at three levels: union, thana and district. Policy discourse over the next hundred and odd years have essentially oscillated within this framework. Salient features of the development of local government at these three levels are sketched below:

Union: This is the lowest tier of local government currently covering an average population of 25,000. The union-level body has undergone many changes in nomenclature and is currently called union parishad. These became fully elected bodies in 1962. Among the various tiers of local government, Union Parishads have the longest institutional history dating back to 1870. This continuity in institutional life, however, is built on a very narrow functional and financial
jurisdiction as well as administrative subservience to executive functionaries at thana and district levels. Notwithstanding these limitations, union parishads have been the focal point in the local government system except for a period in the 1980s when the thana became the focal point. Two important policy changes in the 1990s have put the spotlight further on this body, namely,

(1) A streamlining of the representational base of the parishad by demarcating a union into nine wards (electoral units) instead of the previous three and having a member from each ward; this provision first suggested in 1993 became operational through the union election of 1997;

(2) A strengthening of female representation within the parishads by the 1997 provision for election to three reserved female seats.

**Thanas:** Thana is the lowest tier of central administration dating back to 1793. It currently averages a population size of a quarter million. Though suggested as a tier of local government by the Act of 1885, there was no attempt to develop an elected body at this level. Instead, policy attention took the form of building up a co-ordinative function and institutionalize this through a Council which brought together union parishad chairmen and central functionaries located at this level. The Thana Council was presided over by the chief executive officer at this level, currently known as the Nirbahi Officer. The institutional development of the thana council got an important impetus from the Comilla Model of 1960s which significantly expanded rural development functions at this level. A major change was brought about in the status of the thana-level body, now renamed the Upazila Parishad, when provision was made for a directly elected chairman. The basic structure of the previous thana council was unaltered but now it was placed under the control of a directly elected chairman. Associated with the change of 1984 was a major increase in the flow of central government funds through the instrument of the Annual Upazila Development Plan (AUDP) mirroring the Annual Development Plans (ADP) of the central bureaucracy. The provision for a directly elected chairman at the upazila level was abolished in 1991. The provision was revived in the second half of the nineties though no elections were held. Elections are now expected in early 2002.

**Districts:** Within the institutional history of Bangladesh, the district has been the crucial building block of central government. The development of local government at this level was constrained from the outset by the institutional pre-eminence of executive functionaries. Not surprisingly, development of local government at this level has taken the form of supervised bodies under the control of the chief executive officer i.e. the Deputy Commissioner, with a narrow functional and financial jurisdiction. Institutional attention to the district-level body has been marked by great ambiguity in policy objectives reflected in long periods of inactivity. There was an attempt to strengthen the district-level body, now called Zila Parishad, in 1976 by an ordinance which provided for a certain proportion of elected members. However, no elections were actually held before another change in 1982 abolished the provision for elected members. In 1988, there was an attempt to revive these bodies by nominating ruling party members as Chairman but the change of government in 1991 put an end to this initiative. The revival of this body was again mooted in the Local Government Commission reports of both the post-1991 BNP government and the post-1996 AL government. However, Zila Parishads have essentially existed only on paper since independence.

**The Realpolitik of Reform Dynamics**

It is easy to get swept along in the normative discourse on local government in Bangladesh. Ideal-type solutions abound. The cycles of hopes and frustrations, however, are regular enough to warrant a closer look at the underlying sociology of the discourse. This reveals certain constants in the pursuit of reform agendas which can be seen to constitute as it were the realpolitik of reform dynamics. An exploration of this realpolitik is crucial both to understand the true reach of reform initiatives and to avoid the trap of ineffectual normative debates. Five features of this realpolitik stand out.

1 Accountability versus Development Administration
Policy attention to local government in Bangladesh has always found it necessary to balance the demands of the accountability principle with those of effective development administration. The precise nature of such balancing have not necessarily been conducive to consolidating a process of institutional and political growth of the local government sector. However, notwithstanding the outcomes, there is a certain durability in what may be seen as the official "approach" to reform ideas. The overriding principle at work is to ensure a close supervision of local governments by central administration and a pre-eminent central jurisdiction on local development while at the same time allowing the space for a local political process. The "approach" born of this principle moves on an implicit bifurcation whereby accountability issues are emphasised for the lower tier and development administration issues for the upper tiers. A corollary trend at work here is that the public discourse invariably over-concentrates on representational issues while development administration effectively remains the preserve of the discourse of bureaucrats and experts. More often than not, the goals of accountability and development administration thus come to be pursued in isolation from each other resulting not in what one author has called an 'unresolved wrangle' but rather in an in-built barrier to effective local governance.

2 General versus Specific Powers

A second expression of the realpolitik under question is in the nature of the interface of local government and central administration. Powers and responsibilities of the former are invariably defined in general and vague terms while the powers of the latter are enshrined in specific and precise terms. For example, the general power of the Union Parishad is to maintain law and order but the specific powers in this context lie with the magistracy and the police in terms of powers of arrest, bail and so forth. At the ground level, it is always the specific power which has the teeth while the general power cannot graduate beyond being a declaration of intent. The enfeeblement of local government bodies thus produced is compounded by a certain one-sidedness in the public discourse which exults when more general responsibilities come within the purview of local government bodies but rarely produces a focussed engagement with the specific issues of powers and jurisdictions.

3 A Question of Boundaries: the "Lived Reality" of State-Power

To a large extent, the issue of general versus specific powers bespeaks of a larger issue of the implicit boundaries which effectively circumscribe local government reform dynamics. Such boundaries emerge not from any local factors as such but rather from what we may call the general nature of the "lived reality" of state-power in Bangladesh. The colonial rulers utilised administrative procedures for purposes of political and social control. To this end, one function among all others was invested with strategic primacy, namely, the control of criminal judicial power. The administrative structure so created has enshrined a dominating role for the magistracy and police at the expense of all functional authority. While in the earlier era, such an arrangement served the purposes of colonial control, in the post-colonial era the same has assumed a different, and fundamentally distorting, significance for the political and democratic space. On one hand, the discretionary 'capacity to punish' which lie at the heart of such a strategic primacy has become a prized 'resource' for political competitors marking a fundamental distortion of political goals. On the other, the same 'capacity to punish' also hangs like a Damocle's sword over any consolidation of political and civil initiatives which aim for a democratic transformation in the institutional arrangement of state-power. From the point of view of the state, the preservation of this governance style centred around the discretionary capacity to punish constitutes as it were a 'non-negotiable space' circumscribing reform dynamics.

4 The 'Wheat Culture' of Local Development

A defining empirical landmark in the evolution of a development culture at the local level was the introduction of food aid in association with the Basic Democracy programme of the 1960s. "Wheat" became the new language of development leading on to the emergence of an enduring nexus binding politicians, administrators and local government functionaries in a truncated vision of development built on institutionalised corruption. Though food aid went on
to play its own important role in addressing rural poverty, 'wheat culture' became entrenched as a fundamentally distorting influence shaping the developmental visions of politicians and local government leaders. Much of the criticism here has focussed on the aspect of corruption but perhaps the more significant and less understood issue has to do with the 'wheat culture' being an imposed style of political accommodation between aspiring local government leadership and the bureaucratic state.

5 An Absence of Champions

The fifth and last feature of the realpolitik under question is that while there is no shortage of general advocates, there is a fundamental absence of "champions", i.e. organised actors who can or care to drive the local government agenda as a consistent strategic goal. This is true both of the political and the bureaucratic power centres, indeed also of the NGO sector. In all these three cases, attitudes appear to be implicitly influenced by notions of zero-sum competition over control of the development process (in the case of national-level politicians), control of power (in the case of bureaucrats) and access to donor resources (in the case of NGOs). The local government sector itself too has not generated any organised forums which could have spearheaded the role of 'champions'. This absence of 'champions' is significant not because the issue of local government does not get into focus; indeed to the contrary, the topic is a perennial favourite with the very power centres described earlier. But their concern revolves circularly around issues of first principles. In the absence of 'champions', the agenda is continuously rendered toothless.

Local Governance: Towards a Politically Intelligent Agenda

As has been noted already, a perennial weakness of the local governance discourse in Bangladesh has been its excessively normative orientation. The challenge first and foremost, therefore, is to engineer a shift in the discourse towards greater political intelligence. There are five core components to such a discourse shift.

Understanding the 'Permitted' Space for Reform

The realpolitik of the local governance agenda as analysed in the preceding section identifies the clear boundaries of the priorities which matter: supervised development administration for the bureaucratic elite and electoral experimentation for the political elite. These two poles describe what may effectively be seen as the permitted space for reform. There are two crucial insights here relevant to new agenda-building:

1 Development administration is a key component of the permitted space but it has been effectively left to be a discourse of the bureaucrats. This has only ensured that it is the bureaucratic rather than local governance perspectives which have come to shape the directions for change in development administration at the local level. Engaging on the specifics of development administration policy will be one of the key entry points for a discourse shift on local governance.

2 Macro actors, in particular the state bureaucracy is inherently resistant to jurisdictional concessions to local governments. Agenda formulations which accord jurisdictional demands an upfront place thus routinely fall foul of such entrenched bureaucratic resistance. The critical insight to note here, however, is that while the bureaucratic power centre is rigid on jurisdictional concessions, it is not necessarily so when it comes to the development of functional spaces at the local level. There is in other words a clear contrast between jurisdictional rigidity and functional openness which mark macro attitudes to the local governance agenda. From an agenda-building perspective, the key operational message here is about sequencing i.e. the political wisdom of placing the development of functional spaces ahead of pure jurisdictional demands. The clearest example of the 'success' of this approach is provided by the well-known 'Comilla initiative' of the 60s which served to achieve a wholly new functional space at the local level as embodied in the TTDCs (Thana Training and Development Centre) without any major upfront jurisdictional victories. Functional openness thus has to be seen as a critical aspect of the
permitted space. Engaging more robustly on this potential is central to developing a more politically intelligent discourse.

Local Governance for Local Economic Regeneration

If accountability and development administration have thus far defined the two constants within the discourse on local governance and decentralisation, a new strategic focus whose time may have come is the focus on regenerating the local economy. In many ways, such a focus is a novel one for Bangladesh and it may be is worthwhile to trace the sequence of reasoning by which it is arrived at.

The point of departure here is a poverty argument. Bangladesh has witnessed undoubted and wide-ranging achievements on the poverty front. However, notwithstanding these achievements, the ‘best case scenario’ in terms of overall rates of poverty reduction under current strategies remains stuck at under one percentage point a year. Such a sobering realisation has two critical implications for the approach to strategy. Firstly, today’s poverty challenge is squarely one of scale, a case of having to break through the prevailing ‘best case scenario’ of one percentage point reduction a year. Secondly, and this is a corollary to the first, such a scaled-up attack on poverty cannot emerge simply from a ‘more of the same’ approach to strategy. While we must continue to build on current achievements, the search for new entry points for a scaled-up attack on poverty clearly assumes strategic urgency. This is precisely where the juxtaposition of livelihood analysis with that on decentralisation offers a new strategic focus, one in which the regeneration of the local economy becomes the new action goal and local governance the vehicle through which such a goal is best addressed. Let us elaborate.

The changing ground reality of livelihoods increasingly makes a local economy perspective as the relevant reference frame in which livelihood strategies for a scaled-up attack on poverty are best forged. A local economy perspective is to be distinguished from prevalent sectoral or micro household perspectives as also from traditional notions of village economy. The perspective being argued is more accurately a meso economy perspective. What imparts the novelty to such a perspective is the changing ground realities such as the growing rural urban continuum which now define the ‘local’. In an earlier era, the programmatic understanding of such a focus would have been captured by terms such as ‘integrated rural development’ or ‘local-level planning’. The current emphasis on a local economy perspective, however, marks a radical departure on such earlier meanings. The concern is less about sectoral programmatic focus per se underscored by bureaucratic notions of co-ordination. It is more about positing a new action goal, namely, that of a regeneration of the local economy by which the pursuit of multiple livelihoods by the poor is best empowered.

What of the vehicle(s) by which the goal of ‘regenerating the local economy’ is to be achieved? This is where a focus on local governance becomes of critical relevance. The cast of actors who matter here extend well beyond the traditional focus on local governments as they also cut across traditional sectoral or rural-urban boundaries. The challenge really is of multiple livelihoods, of linkages and a critical expansion of local opportunity frontiers, and of bringing within mainstream attention any categories of ‘missing poor’. Such a menu of tasks do not fit easily within traditional sectoral or decentralisation approaches. What is required rather is a governance focus with a twist, namely, a primary orientation to livelihood issues and embracing the possibility of enlisting categories of actors beyond local governments per se. Interestingly, it is precisely in adopting such a livelihood-oriented governance focus that the real possibilities of a decentralisation agenda lie in the current balance of political and administrative power.

Matching Actors to Roles

The re-orientation of agenda-building is incomplete without touching on the issue of agency. In many ways, the rise of the NGOs in Bangladesh as a hegemonic non-state actor in the conceptual universe has for a long while now obscured the question of agency in the discourse. From the hegemonic state-centric model of yesteryear to the new hegemony of the
NGO-centric model, other actors, both legitimate and socially real, have found it hard going to find a place in the conceptual universe. The empirical analysis in this study clearly challenge the validity of either of these state-centric or NGO-centric model of agency. Instead, what the evidence points to is a multi-agent reality in which no single agent, be it government agencies or NGOs or community capacities, singly hold the key to the question of agency. All of the identified cast of actors are legitimate and relevant actors in the lived reality of governance in Bangladesh.

The presence of many actors, however, does not simply imply diversity; there is a certain matching of actors to roles. Thus, NGOs are not deemed relevant to the 'dispute resolution' or 'law and order' types of governance needs. At the same time, traditional elders are not seen as the relevant agent category in the field of development. Such actor-role matching is not primarily a matter of functional specialisation; today's actor could very well graduate to a new role tomorrow. The actor-role matching in the first instance is better understood as an expression of social legitimacy.

Arguing a multi-agent analytical framework thus is not intended to imply any ready-made operational model to institutional strategy. The argument in the first instance is more appropriately read as pointing towards an opportunity map which makes explicit the cast of actual and potential actors relevant to the governance discourse and the potential for synergies indicated in their respective role specializations.

If we then summarise the insights gained on this question of an actor-role matrix vis-a-vis the issue of local governance, the following emerges as an agency opportunity map:

**Figure 7 - Local Governance and Agency**

<table>
<thead>
<tr>
<th><strong>Actor-type</strong></th>
<th><strong>Role</strong></th>
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<tbody>
<tr>
<td>NGO</td>
<td>Service-delivery</td>
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<td></td>
<td>Target-group mobilisation</td>
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<td></td>
<td>Advocacy</td>
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<tr>
<td>Local government</td>
<td>Justice</td>
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<td></td>
<td>Political representation</td>
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<td></td>
<td>Protection</td>
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<td>Catalyst</td>
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<tr>
<td>Government agencies</td>
<td>Infrastructure</td>
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<tr>
<td></td>
<td>Service-provision</td>
</tr>
<tr>
<td></td>
<td>Security</td>
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<tr>
<td>Political parties</td>
<td>Demand articulation</td>
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<tr>
<td></td>
<td>Protection</td>
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<tr>
<td></td>
<td>Power issues</td>
</tr>
<tr>
<td>Community capacities</td>
<td>Broad-based mobilisation</td>
</tr>
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<td></td>
<td>Voluntarism</td>
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</table>
Elaboration on some of the above is warranted. The actor-type we have categorised as community capacities is so far yet to be accorded independent conceptual status. In the way it is projected in the current discourse, it is merely a footnote to NGO activity often with the nomenclature of CBOs. The theoretical lacuna here has been to focus on this actor-type in the context of roles that NGOs are currently performing. Yet, community capacities often come into play on self-images explicitly different from that of intermediaries (NGOs). If NGOs dwell on technical capacity, community capacities may be putting the emphasis on value-creation. They mobilize the community and evolve as they go along. Such community mobilization may not be premised on the target group approach and may be more dependent on voluntarism.

Political parties too are an actor-type whose relevance to the goal of stronger local governance is rarely in the discourse. The local link of the political parties that interact with the people can actively play a productive role in local governance particularly in articulating local demands and injecting them within a process of manifesto construction. It is indeed a fact that such a role is not currently visible in the Bangladesh context but it is equally true this potential is rarely posed. The political parties cannot be left out of the discourses on governance because they are a reality we cannot deny. They need to be reformed and encouraged to participate in the debate concerning governance.

Another agent of great significance is Support Institutions. As distinct from NGOs whose primary job is service delivery, support institutions have their primary rationale in capacity building and advocacy. Support Institutions are of particular importance in building up local capacities both of local governments and community-based capacities. There is, however, a virtual gap in Bangladesh when it comes to this actor-type.

To come back then to the question of agency, it is imperative that the conceptual hegemony of the NGO model be challenged just as the earlier hegemony of the state model was challenged. The question of agency needs to be re-opened in all the seriousness it deserves within the discourse of governance so that the reality of a multi-agent world comes to be better served by our analysis.

**Thinking Coalitions**

The final stage of the argument on agency is about the need for a mind-set shift towards a coalition approach to institutional strategy. Not only is no one actor up to the challenge of realising the challenge of a strong and viable local governance, the sum of many actors acting individually may also not suffice. The need really is to get a sum which is greater than its parts. A new approach is thus called for, one built around the idea of coalitions i.e. understood both as process and as working arrangements in which the energies of the government, local governments, NGOs, civil society and entrepreneurs find a virtuous fusion.
Such a transition is, of course, unlikely to happen overnight since a coalition approach is far from being the 'natural' tendency of our key development actors. 'Thinking coalitions' has thus to be the first step towards the new approach; within our prevailing institutional culture, it is a step which will require an active process of propagation.

A clarification may be useful here on the type of coalition which is being hinted at. It is not the case that the idea of coalitions is totally absent in the prevailing institutional milieu. However, what tends to go by the idea of coalitions currently is a coming together of the same type of actors, i.e. coalitions among NGOs etc. What is being emphasised in the present context is coalitions across boundaries i.e. local governments and NGOs, local governments and private sector, local government, NGOs, private sector and support institutions and so on. It is also important to emphasise that we are not talking here about an inflexible notion of coalition built around a fixed focal point. The idea rather is about context-specific coalitions built around specific goals.

**A Two-Track Strategy**

To return then to the theme of a more politically intelligent discourse, the strategic road-map ahead has of necessity to be built around a two-track strategy. In the first, the strategy is one of a robust engagement on the specifics of the agenda of development administration at the local level. The goal is to ensure that this agenda is not shaped by the concerns of the bureaucrats alone. The second track focuses on the challenge of developing new functional spaces at the local level in particular around the goal of regenerating the local economy. A coalition approach to institutional strategy building on identified actor-role matrices both formal and informal becomes central here.

**MP's Constituency Role and Local Government**

To round up our discussion, we may cast a brief look at an issue which has gained great currency in current discussions on local government reforms, namely how the role of the Member of Parliament interfaces with the role of local government.

There are three dimensions to MP's developmental and constituency role:

1. **Lobbyist for constituency to central government**
2. **Developmental**
3. **Grievance Redressal Channel i.e. local ombudsman**

How are these roles operationalised and what significance do they carry for the discussion on local governance?

**Lobbyist**

This is a political role. There is no issue here as such of developing formal procedures.

**Developmental**

There is clearly a question here of formalising this role. This is also the area where tensions vis-à-vis local governments can arise in the absence of clear and appropriate guide-lines. In developed countries, this role has been phased out over a long historical process. In developing countries, this role is still very much present but the institutional mechanisms vary. Currently, this role is institutionalised through the strong advisory role given to MPs over local government projects. Since 1997, the advisory role has even extended to union parishads.

An advisory role of MPs over local government projects is not conducive to building a viable local government system. This is clearly not the optimal developmental role for the MP. This is also the conclusion when one looks at other country experiences.
The optimal developmental role of the MP has the following components:

1. No formal selection or approval role over local government projects but informal roles of suggestion and monitoring.

2. Control over a formally specified sum of central government funds for local development for the following purposes:
   - emergency schemes
   - innovative schemes

3. The MP's right here is to select and monitor but technical screening and implementation will be through regular administrative channels.

Variants of this model run in most developing countries. Philippines appears to have the worst variant in that the money is given to the MP without much screening leading to widespread corruption. Thailand has recently done away with the system. India follows a more structured system under the title Local Area Development Schemes. Bangladesh can lead the way by concentrating attention on innovative and emergency schemes.

Grievance Redressal

Currently this is not a formal role but a very strong informal role centred around tadbir. However, in developed democracies and even in many developing countries, this role has been formalised through:

- The MP having a formal office in the constituency
- Having specified assistance to record and scrutiny grievances and maintain a database on grievances
- Formally channeling grievances to appropriate authorities for redressal
- Monitoring progress on redressal.

For the above roles to become effective and socially useful, attention has to be given to three other issues:

1. The respective roles and functions of upazila parishad and union parishad need to be rationalised

2. Administrative protection of central government officials at local levels in the performance of their legally specified duties

3. Encouraging the emergence of user groups and citizen bodies as an additional aspect of a balance political system.
Administrative Decentralization and Accountability

Introduction

Decentralization of governance to lower levels has been at the forefront of most of the development dialogues for many years now. A general consensus exists among the scholars and development researchers about the desirability of decentralization to make public administration responsive to the needs of the people and also to make it more accountable. “The effort of decentralization has become an international language. The process has been taking place in many regions to the degree that it has been labeled as ‘the universal administrative reform movement’.” (Nakamura, 1996:4). There are, however, differences of opinion about the modalities, quantum and timing of decentralization. Volumes have been written and hours have been spent in Bangladesh as elsewhere in the world on these issues of decentralization and public accountability. Bilateral and Multilateral development institutions and agencies have spent millions of dollars on research and dissemination of the knowledge and concepts of decentralization to convince the political leadership and the entrenched bureaucracy in various developing countries of the world about the rationale and need for implementation of decentralization programmes. All of this has been necessitated by the fact that in every developing country, the central and/or the provincial government take all important decisions for the entire country/province. Every single policy concerning lives and welfare of the citizenry of the smallest village even of the difficult to negotiate island like Hatiya or Sandwip in Bangladesh is taken far away from the people by persons who do not know where the “shoe pinches”. This type of centralized decision making process creates an environment of clientelism where some people assume an intermediation role between the policy makers of the government and the poor and often helpless people of the remote villages/regions. Rent seeking and patronage distribution flourish in such an environment giving rise to unhealthy practices in the administrative system. As a natural consequence of all this, good governance perforce takes a back seat. In the absence of accountable good governance public officials conveniently align themselves with the political leadership to accumulate unwarranted powers as such “decentralization is one of the principal ways to ease administrative dominance” (ibid:4). So it is necessary to decentralize administrative decision making to local levels and establish institutional mechanisms so that people can participate in decision making in matters affecting their day to day life. They should also be empowered to take accounts from the institutions and the functionaries entrusted with the responsibilities for such activities in respect of their commitment and performance. The Citizens’ Circle for Accountability, Canada have defined accountability as “the obligation to answer for responsibilities” and stated in their website (www.magi.com) that “The ultimate objective of the Circle is to improve fairness in decision- making by those in authority who affect citizens in important ways...” Decentralization, by way of deconcentration, delegation or devolution, will not achieve the desired results of good governance unless public accountability in the exercise of power and authority of the local level institutions and functionaries are simultaneously introduced. In the absence of such accountability, decentralization will only bring about decentralization of corruption, oppression and harassment which can not be desired by any right thinking person.

Concepts and Practices of decentralization

Scholars of Political Science and Public Administration view decentralization as a complex issue, both as a concept and in practice. They have looked at decentralization from four perspectives: as a doctrine, as a political process in a given political setting, as an administrative problem, and finally as an administrative process. Decentralization has been defined as the transfer of “authority to plan, make decisions and manage public functions” from the national level to any individual, organization, or agency at the sub-national level (Ali, 1991: 231). Decentralization can be viewed as an “ideological principle associated with objectives of self-reliance, democratic decision making, popular participation in government, and accountability of public officials to citizens” (ibid: 232). Decentralization is a political
decision, and its implementation is a reflection of a country's political process. Decentralization of administration can take place in various forms and ways through deconcentration, devolution and delegation of powers and authority. These forms of decentralization have been so well established in development literature that a further discussion or elaboration of these terms in this paper is considered unnecessary. One of the widely used/supported methods of decentralization is through local government systems which can fulfill objectives of both political and administrative decentralization. The present initiative of the Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives is, therefore, not a minute too soon to deal with a long pending issue of utmost public interest. This is more so in view of the fact that a new government, with an overwhelming majority, has recently been voted to power by the people. It is the general expectation of the people that the government will promptly and effectively deal with all issues of good governance - needless to say that decentralization and public accountability should be on top of any such agenda.

Need for accountable governance

In Bangladesh, there is an overarching need for effective decentralized administration for the sake of sustainable development to promote well-being of almost 130 million people. There are acute syndromes of a fractured polity, bad governance and convulsions in Bangladesh society. People have been expecting that a democratic form of government would address their critical social and economic problems. In the last thirty years our society has oscillated between autocracy and elected governments. But elected government is not enough to produce good governance with genuine accountability to the people. Successive governments in Bangladesh have expressed their commitment to attack poverty and other social ills but due to the absence of accountable and participatory governance they have so far failed to effectively address these issues. Local government exist in this country in name only when in reality they are appendages of the central government, totally controlled by the latter through circulars and instructions and also dependent on doles from it. It will not be a mistake to say that many persons contest local government elections to use their position as a medium for accessing the political and bureaucratic power structure. Even within the Government, power is centralized. Through the system of putting one Minister in charge of every district, the decision making process at that level has also been practically centralized. What has happened now is that an Officer-in-Charge (O/C) of a police station in the country does not act as per his powers under the Criminal Procedure Code (Cr. PC) or the Police Regulations of Bengal (PRB) to apprehend the perpetrators of most heinous crimes. The Head of the Government or the Home Minister's intervention is often needed to set the otherwise well defined and laid out routine police procedure in motion. Similar examples can be cited from all areas of government. These are enough indications of poor governance calling for decentralization of powers within the governmental agencies and para-statal bodies and also within the various levels of the central government itself. It is well known that these days very little gets decided at the level of an Additional Secretary to the Government let alone other levels down the line. In fact most routine things now move up to the Ministers. Transfer of teachers of colleges disposed of by the DPI in the former provincial government now needs ministerial decision. It has to be remembered that this workshop is discussing various aspects of decentralization in Bangladesh against a severe centralization syndrome. A ray of hope can be gleaned from a news report in Bangla national daily “Jugantor” of 03 March, 2002 which informs the country the Planning Commission has made nine recommendations to the Government to streamline the poverty reduction programmes. One of these nine recommendations has reportedly called for maximum participation of the beneficiaries in project selection, preparation and implementation. If this does not transform itself into district or upazila headquarter meetings of the central government functionaries with selected local people to show that the beneficiaries have been consulted then a step in the right direction is being made. In this connection 1993 report of UNDP had clearly stated that “programmes which are designed to affect the position and options of the poor directly need to be designed and implemented as close to them as possible and with their full participation” and as such had identified it as “a strong argument for decentralization” in a priority area of development. Unfortunately, nothing positive or lasting has happened to such recommendations in the past and one can only hope that the Planning Commission recommendations will not meet the same fate.
Absence of accountability of public officials to the community they serve remains a big issue. In general, government agencies are unresponsive to people's needs, and citizens have little access to information about governmental resource allocation, processes and decisions. The lack of accountability applies to every level of government, ranging from the lowest level of the bureaucracy with which the general public come in contact on a regular basis up to those at the highest level. There is no system in place for stakeholders or community to act collectively to extract accountability from the service providers.

A decentralized administration with people's participation and provision of adequate monitoring authority can pave the path of good governance and accountability in Bangladesh.

**Deficiencies in Development Administration**

Bangladesh desperately needs planned and rapid development. The development administration, however, is now in disarray. The system has deteriorated due to a variety of factors. Four of these are cited here as reference.

a. Lack of trust, excessive reliance on hierarchy and complex and conflicting rules leading to a highly centralized system in which even minor decisions go to the top. Preoccupation of the decision makers with multifarious things of priority at national level automatically relegates life and death issues of poor rural people of one or more villages to lower priority and are inevitable delay;

b. While field officers remain responsible for implementation, much of their power and autonomy has been taken away. Moreover, they are required to spend a lot of time attending meetings with higher authorities thereby depriving the local people of the time and attention;

c. Inter-ministerial coordination at the top and inter-agency coordination at the field level are unsatisfactory. Most multi-sectoral projects suffer on this account;

d. People-government interface is extremely poor. There is very little public consultation, even with intended beneficiaries (Samad, et al., 1991: 219-22).

Much of the deficiencies of development administration can be overcome by strengthening the local government system, delegating adequate authority to these people's institutions, and building a partnership between government and people's organizations.

**Administrative Decentralization: Assessment of Experiences**

The country which is now Bangladesh was a part of British India for about two hundred years. It inherited a legacy of colonial administration which manifests three characteristic features: Centralization of authority (resulting in non-participation), Paternalism (dependency on the government), and Elitism (domination of urban over the rural and in the rural areas domination of those with connection and wealth over the poor). The primary objectives of the colonial administration were law and order to facilitate the collection of land revenue. With the independence of the country, development gradually came to the forefront as a major concern of the government. As a result, the 'nation-building' departments and 'autonomous' bodies of the government were established and programmes extended down to the Thana and Union levels. These departments and agencies had neither adequate resources nor authority to plan and implement development projects at the local level.

Local self-government starting from the latter part of the British rule has been in existence in this country but with very limited powers and functions. But they have never come anywhere near institutions of the people controlled by them for their own welfare.

A new system of decentralized and coordinated rural administration was introduced with the establishment of Thana Council in the 1960s. The Thana Council comprising official members representing the government departments and the elected chairmen of Union Councils provided a semi-local institution to plan, manage and coordinate development activities at the
thana level. Thana was made the unit of planning, and the elected members of the Union Councils actively participated in the planning. Thana Council was an integral part of the Thana Training and Development Centre (TTDC) which evolved through the 'Comilla Experiment' and was introduced in all rural thanas of the country. The concept of TTDC emphasized the need of complete coordination between the nation-building departments and between these departments and leaders of local government. The departmental officers were to become trainers of the people, whose leaders were to participate fully in the process of planning and coordination. All services and supplies and thana level experts were to be located in the same building for the convenience of the people. The TTDC soon assumed the shape of a Thana Secretariat at least in form if not in spirit. This was because the government never gave it the kind of freedom and autonomy that was necessary to build it up as people’s institution in the truest sense. In a real sense it was subordinated to the control of the government through its bureaucratic machine. The government of the day essentially used it as a medium to keep its hold on political power as such this institution was not viewed with favour by the government after the liberation of the country. However, the Thana Councils in those days made five year plans for infrastructure development of the respective thanas based on local needs and knowledge and also implemented those plans subject to allocation of resources from the government (Khan, 1985: Vol. III)

The next major intervention in decentralization was made by the martial law regime under General H.M. Ershad when it abolished the subdivision as a unit of administration and made them into districts. This was followed up by the creation of the Upazila with an elected Chairman for the first time at the sub-district level. Inspite of many inadequacies of the system the upazila system for the first time subordinated the central bureaucracy at that level to some form of control by elected public functionaries. Upazila Parishad with elected chairman was created as a new tier of local government institution and necessary powers were devolved. The administrative reform was the most sweeping and comprehensive involving deconcentration and delegation within a new institutional framework.

But like the Thana Council, the Upazila system also had a short life. The system, put in place by the military regime to "secure a power base in the rural areas through alignments with traditional leaders, who are by and large the rural rich"(Alam,1994:91) was abolished in 1991 by new new government which came to power after the fall of the Ershad government. In retrospect it can be said that the decision to abolish the upazila system was hasty and not well thought out. Instead of ‘throwing the baby with the bathwater’, it would have helped the cause of local government to rectify the defects of the system and de-link it from the national political process. As a result, whatever gain could be achieved in the field of decentralized rural administration in the 1980s could not be sustained.

The fate of the union level local government, the longest sustaining institution at grass roots level has not been any better. What used to be a reasonably active institution during the colonial days have been converted into one without any power or function of its own except to dance to the tune of the central government and look up to it for patronage. They do not have any control over agricultural support services, primary education, health services, population programmes or anything else which has a direct bearing on the lives of the rural people. Governmental bureaucracy at the lowest level is also outside sphere of control of the Union Parishad or its Chairman. They represent the central government and implement its programmes conceived in the capital city and delivered with central government funds. These members of the bureaucracy are not obliged to answer to the people or their moribund elected local level Parishad.

Here it may be worthwhile to discuss a project now being successfully implemented in Bangladesh through the collective efforts of the Government, Union Parishad and NGOs. BRAC, one of the largest national NGOs in Bangladesh launched a community-based nutrition pilot initiative in 1993 in Muktagacha a sub-district under Mymensingh district. The objective was to address the challenges of existing food shortages and promote long term behavior change through communication and education on intra-familial food preparation and distribution, and supplementation demonstration. The initiative was specifically targeted towards adolescent girls, pregnant or lactating women, and children under two years of age following a survey on the knowledge, attitude and practice among the community. The
nucleus of the program was a female community nutrition worker who provided services in the community. BRAC's microcredit and employment and income generation programs were linked to these interventions.

Considering the above pioneering experience and expertise gained from this pilot project, BRAC was requested in 1995 to join as a member of a core team to conceptualize and design a government project on nutrition called the Bangladesh Integrated Nutrition Project (BINP).

This project is the first major attempt by the government of Bangladesh to develop a comprehensive well-coordinated inter-sectoral program. The US$ 65 million program financed by a loan from the World Bank (11% funding by the government) is currently being implemented in 59 sub-districts, covering around 15 million people. It is unique for its public-private partnership and inter-sectoral coordination. BRAC is playing a dual role: (i) policy advocacy and strategy planning being a member of the national steering committee, and (ii) direct implementation of the community based nutrition component in 33, poultry for nutrition in 23 and income generation for vulnerable group development in 1 sub-district. It is mentionable that BRAC was also the only partner selected for implementing the program in the first phase six upazilas (sub-districts) and now is also working with several other NGOs selected by the government.

The responsibility of NGOs in the Community based nutrition component is community mobilization, training and technical supervision of field personnel (including recruitment), selection, procurement of equipment and supplies of Community Nutrition Centers (CNC), logistics for preparing, packaging, and delivering food supplements, monitoring and quality control, promotion of health and nutritional status of children under two years of age, weight monitoring and promotion of pregnant women, antenatal care support, contraception support and security, supplementary feeding and promotion, CNC management, household visit, recording vital statistics (births, deaths, marriages, migration), special education session (adolescents, newly weds, male members), poultry for nutrition training, beneficiary selection, credit support and follow up. In addition, NGOs are also involved in the implementation of the Income Generation for the Vulnerable Group Development (IGVGD) programme. In this NGOs are doing beneficiary selection, wheat distribution and training of the beneficiaries in building their capacity and skills. The successes in these activities owe much to the creative partnership between the government, local government and NGOs. Involvement of local government leaders in the programme implementation committees has facilitated project implementation everywhere. From the experiences of this project it can be said without hesitation that by understanding people's actual needs, designing projects to meet those needs, and acting collectively with Local Government bodies and NGOs, the Government can speedily and effectively address development issues which can change the lives of the poor people in the rural areas of Bangladesh.

Looking ahead: agenda for future action

The current state of development and administration in Bangladesh demands decentralization and accountable governance. Decentralization is essential for achieving a variety of development objectives ranging from people's participation to the better management leading to greater impact of rural development. “There are many potential advantages of decentralization. Most of them can be broadly captured under the classification of improved efficiency; better governance; and improved equity”(Paul Smoke, 2001:2). Experience and evidence suggest that the best approach to decentralization is by involving the local government institutions.

Local government units are smaller in scale and closer to the people. It helps making the bureaucracy responsible and responsive to the demands and sensitivities of the local people. The micro-level is also near to the front-line of developmental problems on the ground. Ordinary citizens can involve themselves in solving local level problems or at least pinpointing the exact nature of their problems where experts can help out with technical solutions. There is thus a possibility of greater participation of people in promoting development and also sharing the benefits of development. If a mistake is made, those responsible are likely to be more easily identified and asked to provide explanations. Such arrangements are likely to
provide the basis for effective public accountability of the government officials or leaders of people's organizations. Such a process can also generate community-based knowledge about what kind of programmes or projects are likely to be sustainable and socially acceptable.

The experience of Bangladesh in local government as a form of decentralization is more than one hundred years old. Country's constitution also provides a clear directive about building local government for empowerment and welfare of the people. Despite this imperative, "we have less effective local government now than we used to have during the period of the British Colonial rule" (Mahmud, 26 February 2002). For the last ten years or so, we have engaged ourselves in an unending debate about the structure, number of tiers, election procedures and sources of funding, but little has been done to operationalise a century-old system. The early the debate is over the better for the country. There are no hurdles in operationalising an effective local government system in Bangladesh if the political leadership makes up its mind. They are not realizing that by empowering the people at the grassroots level they will be giving a boost to programme improvement and much more effective service delivery which will almost certainly strengthen their own right to govern. The real fear in decentralization in Bangladesh is the "problem of local elite capture (of power). In many instances, it is local elites rather than the most vulnerable that capture decentralizes power - which is then utilized to repress local minorities- including women and other marginal groups"(Olowu,2001:12). In Bangladesh such situation can be avoided by institutional arrangements to involve the NGOs as partners of the government to support capacity building of the poor and marginalized people and also to act on their behalf in establishing accountability at the grassroots level.

Introducing an effective set up of decentralized administration with measures of accountability is an urgent need. Based on earlier experiences and the existing situation, it is possible to develop such a system without taking much time. In this context, two specific points of criticism about the erstwhile Upazila system can be kept in mind. The 1991 Task Force report pointed out that the Upazila system lacked adequate capability to plan and there was hardly any people's participation in preparing the annual plan. It was also pointed out that the Upazila administration undermined the authority and resources of the lowest tier of local government, the Union Parishads. Moreover, corruption and patronage engulfed the system in the guise of supporting decentralization. These are some of major weaknesses which have to be avoided in the future.

Experiences indicate that due to pervasive patron-client relationship state resources allocated by the government do not reach the village level opening up opportunities for wanton plunder of resources. Unless there is a political will, decentralized administration would not produce results. It is clear that the traditional and constitutional ways of ensuring good governance are not working. Key actors for holding public officials accountable such as the parliament, the courts, the press and private businesses are all present in Bangladesh. The missing institutions are the functional local government, vibrant civil society organizations and public institutions such as independent commissions to deal with corruption, resource allocation to the local government bodies and also overseeing government-private sector competition. Mere existence of democratic institutions can not enable the common people to exercise their democratic rights and responsibilities in the matters of oversight of service delivery of social goods or for enforcing accountability of the bureaucracy and the institutions responsible for such delivery . Sustained efforts by a coalition of forces such as NGOs and other civil society organizations can mobilize the voice of the people for accountable governance.

Political factors have often played the most critical part in determining the nature and outcomes of attempts at decentralization. However, mobilization and involvement of the general population, their voice against misgovernance, is also very important. Pro-poor policies and programmes promote better governance. Efforts at strengthening the voice of the general public in determining better governance have thus best chances at the local community level. The media, NGOs and other civil society organizations can be essential ingredients for society's struggle for accountable governance through a local government system. The cases of BINP and the IGVGD programme as discussed earlier in this paper provide good illustrations for this.
References


ISSUES RELATED TO ADMINISTRATIVE DECENTRALISATION AND ADMINISTERING OF DECENTRALISATION

BACKGROUND

When to decentralize?

A good time to decentralize seems to be when a new government takes over. In the case of Kerala it was a new government, which transferred functions and staff in 1995, and another new government transferred financial resources and launched the People's Plan Campaign in 1996. Also a favourable point of time for decentralisation would be when there is a change-over from one Plan period to another Plan period. This is because the natural step-up in resource allocation can be diverted to local governments without facing much resistance. Kerala's decision to earmark about 35% of its Plan resources was facilitated by the fact that the launching of the 9th Five Year Plan in 1997 had resulted in significant increase in Plan size.

How to decentralize?

Traditional wisdom calls for capacity building of local governments and then giving power to them in degrees to match the improvements in capacity. But real and effective decentralisation probably calls for a big bang approach - function, powers and resources are transferred at one go. If decentralisation is effected in one fell blow the suddenness would stun potential dissenters into silent acceptance; before people realize what they have lost, decentralization would have become a fait accompli. The 'reversals' - of giving responsibility and then building capacity, of giving powers and then creating procedures and systems, of giving funds and then setting up umpiring systems - help in another way. If government transfers a lot of responsibilities and funds considerable pressure would build on government from various sides to ensure that the responsibilities are carried out effectively and the funds are utilized properly. It would then become Government's responsibility to ensure that decentralization works.

Need for a clear Vision

The first and the most critical impulse to start off decentralization is the political decision - and that too a decision based on a vision about decentralization with respect to why it is required, what it is about, how far it should go, what it should achieve etc. Once this vision is clear, the administrative aspects become easier. In other words there should be a well-articulated decentralization policy.

Nature of decentralization

It would seem that political decentralization, and that too, a kind of democratic decentralization with accent on people's participation, is more sustainable than administrative decentralization. Power should flow from both the political executive and the administrative executive to the local governments, and through the local governments to the people. It is the downward transfer of power rather than the sideways transfer of power from officials to elected bodies that is more important. Also there is need for a thorough understanding and consensus on what power means - not just arbitrary kind of "power over" but more of a legitimate motivational "power to". Insistence on due process while local governments take decisions is a sine qua non of democratic decentralization - to avoid possibilities of whimsical, arbitrary and partisan exercise of powers.
ROLES AND FUNCTIONS OF LOCAL GOVERNMENTS

Defining the functional domain

This is a very difficult activity and it is totally dependent on the political vision of decentralisation. Also the size of the local government particularly that of the Village Panchayat is a critical factor in assigning its functions. Most of the State legislations give more or less the same functions to all the three tiers of local governments. It would be a healthy practice if a legislative definition of the functional domain is done with as much precision as possible. (The functions assigned to local governments in Kerala and delineated in Annexure 1) But this is a rather difficult task. Kerala found that it is easier to define the functions in the management of institutions, creation of infrastructure and provision of services but when it came to the question of defining the functional areas in sectors like agriculture and industries there is bound to be certain overlaps, and only based on several years experience can the comparative advantage of each tier in performing various functions would be known clearly. Thus a process approach is called for in demarcating the functions of different tiers of local government as also the role of the State Government in such development areas.

Role definition

Within their functional areas, local governments would have to perform various roles and one can see a range rather than discrete role types. Yet it is possible to identify certain broad types within this gamut:

1. Informer - just providing information to government
2. Consultant - providing advice and opinion to government
3. Agent - carrying out things on behalf of government without any real decision making
4. Manager - managing institutions and services on behalf of the government with the power to take decisions necessary for management.
5. Partner - doing part of a development programme with government doing the remaining portion.
6. Actor - playing the role of an autonomous agency deciding priorities and resource allocation by itself.

It should be possible for government to define the role range in each of the areas assigned to local governments.

Inter-tier linkages

In the case of rural local governments the question of inter-tier linkages is very important. It may not be proper to allow one tier control over the tier below. At the same time linkages would have to be provided for, to enable complementarities and performance of higher order functions. One direct way of doing it is to make the heads of lower tier local governments ex-officio members of the higher tier. This can be reinforced through formal consultative processes. A still more difficult method would be to design the development planning process in such a way that linkages get taken care of through a sequential multi-level planning exercises.

Freedom and its limits

For each function and each kind of activity the freedom of local governments as well as the limits to the freedom need to be indicated. This is best done through a process of experimentation followed by consultation with local governments to reach a consensus. Such
an exercise was undertaken by Kerala when it was found that local governments were giving abnormally high subsidies to individual beneficiaries of various schemes.

**Legislative entitlements**

As far as practicable all that has been mentioned above may be put in the form of an Act so that they have the best stamp of approval - that is the legislative sanction.

Another point of relevance is that there are several legislations related to subjects handled by local governments like those dealing with water supply, irrigation, land development, fisheries etc., and those having a bearing on local government like land acquisition, land conservancy, land assignment etc. Amendments to such allied Acts would be justified to ensure that local governments are not just creatures of one or two Acts but have legal position and space in all legislations having something to do with their functions. This would make the local governments a clearly recognized tier in government, Kerala has amended about 35 Acts in pursuit of this idea.

To protect the future of local governments a farsighted suggestion has been made in Kerala. Now, every Bill when it is presented to the Legislature is accompanied by a financial memorandum and a memorandum on delegation of powers, so that the legislature knows that it has the power to legislate on the subject and what the financial implications would be. On this analogy a third memorandum dealing with possible local government implications needs to be introduced. This would help the legislature to take a balanced view and take precautions against powers devolved by one law being taken away by another law through general “notwithstanding” clauses.

**Need for appropriate administrative operating systems**

Development programmes and development administration run essentially on the basis of executive instructions which constitute the flesh and blood of administration with the Acts providing only the skeletal framework and form. Therefore any number of legal provisions and rules would remain on paper if they are not followed up with clear-cut administrative instructions in the form of Government Orders, Circulars, Manuals etc.

It would not be appropriate if the existing administrative systems and executive orders are just transplanted on to local governments. The deep structure of such instructions is oriented towards centralised governance and is tailored for hierarchy; e.g., procurement instructions, accountability systems, reporting systems etc. These need to be harmonized to local government conditions without sacrificing accountability or efficiency.

In the context of the early stages of decentralisation there would be an advisory role for the State Government. Unfortunately in administration, advices cannot be conveyed in their true spirit; either guidance ends up as restrictive or it is taken too lightly interpreting it as non-mandatory. To avoid this, advisory circulars and guidelines have to be exhaustive and precise and they should be related clearly to a law, rule or order; as far as possible they should indicate what has to be followed implicitly and what could be flexibly adapted by the user.

Kerala has embarked on the exercise of fundamentally revamping the office management as well as financial management systems of local governments. Since this would take time, the State has been following an interesting strategy by framing experimental new instructions on various procedures and systems, learning from their application and attempting to upgrade them based on experience and learning from best practices elsewhere. An innovative suggestion under consideration is to free selected outstanding local governments from all rules and procedures, allow them to act according to their best judgement, document every step and then work backwards to unravel and integrate the process. Kerala is particular that the extremely rare opportunity for creating the state-of-the-art administrative operating systems should be put to the best use.
TRANSFER OF RESOURCES

Human Resources

Often one comes across vague conceptualization of local governments particularly Village Panchayats as "doers", but actually they should be the 'deciders' and the 'doers' should be personnel under their control. Expecting local governments to do functions without assigning at least the staff who were hitherto performing those functions would be futile. Transfer of staff to local governments is a very tricky issue. There would be a lot of natural resistance by employees to move on to control by elected bodies particularly the lower tiers. Some of the reasons for the staff being reluctant to work under local governments are:

a. Uncertainty about service conditions
b. Problems regarding payment of salaries due to unsound financial position
c. Fear of whimsical political decisions
d. Probable loss of promotion chances due to smallness of the unit of employment
e. Reluctance to move to distant areas
f. Ego problems in relationship with elected representatives, some of whom could be semi-literate.

The way Kerala has handled these problems in spite of its highly unionized staff structure is worth looking into. The salient features are summarized below:

1. The principle of work and worker going together was enunciated. This enabled the government to transfer institutions and offices along with staff to the local governments. (The institutions, offices and posts transferred to local governments in Kerala are listed in Annexure II). Also, it was followed up by determining surplus staff both professional and ministerial in development departments at the State, regional and district levels and transferring them to local governments. This redeployment process is currently under way whereby about 1200 clerical staff will go to local governments with each of the 991 Village Panchayats getting one clerk. Similarly about 200 large Village Panchayats would get one Assistant Engineer and for the remaining Village Panchayats two of them will share an Assistant Engineer; all Block Panchayats will get an Assistant Executive Engineer.

2. The cadre of the staff transferred is not disturbed. This prevents promotion chances being affected and facilitates movement of staff from one local government to another or from local government to government. In a sense the analogy of All India Service Officers serving both Central and State Government is relevant.

3. The local governments have full managerial and part disciplinary control over the staff. They can assign any work to the staff transferred to them related to their area. They can review their performance and give the required directions. They are empowered to impose minor penalties on all staff transferred to them and, in the case of non-gazetted officers, resort to suspension whenever warranted.

4. A kind of dual control is inevitable. Since the State Government carries out some of its functions through the field level staff who have been transferred to the local governments State control over the staff becomes necessary. Also, as the cadre is managed by State, such control is automatic.

5. The salaries of the staff transferred continue to be paid for by Government. This would prevent unnecessary burdening of local governments with the transactional costs and efforts of salary disbursement and account keeping.
6 Even the own staff of local governments i.e., Village Panchayats and Municipal bodies who are paid for by the local government themselves are recruited through the Public Service Commission and constitute a local government cadre.

7 Based on work-study, staff pattern has been fixed for different types of local governments. Only government can create new posts in local governments.

8 A decision has been taken to have a published transfer norm which would ensure that all local governments including remote and backward ones get the staff on a rational basis. This would also prevent government from exercising partisanship in favour of governments perceived to be on the government side or discrimination against other local governments.

9 To protect the legitimate professional interest of staff a code of conduct has been legislated for. This would help officials in discharging their functions without fear or favour.

10 In the case of professional staff where ego conflicts tend to be more, government has been trying out a two-pronged approach - one of interfering whenever there is a complaint and sorting it out through negotiations and the other of trying to organize joint training courses for elected heads and the professional staff to foster mutual understanding and trust.

Financial resources

Kerala's experience has good lessons to offer in this area of devolution. It is summed up below:

1 Since the constitutional mandate is to share development responsibilities with local governments it was felt that local governments have a legitimate claim on development funds or Plan funds. So the important decision to devolve Plan funds to local governments was taken. One-third of the Plan funds is earmarked for local governments and around 90% of the Plan funds is given in a practically untied form to the local governments to prepare their own schemes and implement them within certain broad policy framework, which stipulates that at least 40% of the funds should be invested in productive sectors, not more than 30% should be invested on roads (with appropriate variations for urban local governments) and at least 10% should be earmarked for gender sensitive schemes and there is a consensually fixed upper ceiling for subsidies in different categories of schemes for individual beneficiaries. In keeping with its philosophy of decentralisation - to encourage people's participation - Kerala devolved about 70% of the rural share to Village Panchayats with the other two tiers equally sharing the remaining 30%.

2 The entire Plan grant is investible. This can be called "pure money", as it does not carry any staff salaries or other administrative costs. (Normally at the State level 20 to 25% of the plan is taken away by such commitments.)

3 Certain plan schemes are transferred as such to local governments both centrally sponsored as well as State schemes. In general they are called State sponsored schemes and the guidelines framed for the purpose have to be followed by the local governments. Such schemes constitute only about 10% of the Plan Grant-in-aid given to local governments.

4 All the Plan grants due to local governments are separately budgeted in a document given as Annexure IV of the State Budget. Since it is passed by the Legislature it is non-divertible for other purposes by the executive.

5 In addition, traditional non-plan grants continue to be given as of before. The suggestion to share a percentage of total tax revenue, instead of giving certain taxes and grants is under the active consideration of the government.

6 Institutions like schools, anganwadis, hospitals, veterinary clinics, hostels for SCs/STs and agriculture and veterinary farms have been transferred to different levels of local governments, along with their staff, for management. The funds for these institutions other than salary and, in the case of hospitals medicine and diet charges, are routed through
local governments. Since local governments control the funds the institutions tend to gravitate towards them.

7 Every single rupee devolved to local governments whether under Plan or other categories is given as per a transparent formula and there is no room for patronage or partisanship in allocation of resources to local governments.

8 A flow of funds procedure has been designed. The funds flow in four instalments. A local government has to spend at least 75% of its allocation during a year failing which the shortfall would be reduced from the next year's allotment.

9 Ad hoc accounting and reporting systems have been prescribed. After analyzing experience so far, formal systems are to be designed.

ACCOUNTABILITY ISSUES

Since substantial funds have been given to the local governments accountability system acquire special importance. In addition to the traditional systems new checks and balances need to be evolved. To a large extent, accountability can be ensured through open government. In a sense transparency is the best form of audit.

Corruption in local governments is to be addressed right at the beginning. It is felt that decentralised corruption is more harmful than centralised corruption for it permeates every part of the society and causes widespread moral degradation.

Some of the points, which need attention while designing accountability mechanisms, are fund utilization, decision-making process, adherence to procedures and maintenance of Files and records. Traditional accountability mechanisms like audit and inspection, if functioning regularly, can help to a considerable extent. In this respect Kerala has attempted two innovations - first, setting up performance auditing teams by pooling surplus staff in the Panchayat, Municipalities, Rural Development departments and the Secretariat to conduct regular auxiliary audit with a view to correcting mistakes as and when they occur and guiding local governments in maintaining the proper systems; second, setting up of a technical audit team consisting of senior engineers selected for their integrity to investigate complaints of malfeasance in public works.

In addition to the Ombudsman new accountability mechanisms have also come up. Regular IEC campaigns, participatory structures right from planning up to monitoring, transparency provisions and scheme formulation framework and spelling out the due process in various kinds of decision-making, which fix the rational boundaries to autonomy, are the important examples.

Reforms on the anvil relate to semi structured social audit, insistence of compulsory information giving, publishing of citizen entitlements and charters and use of information technology.

PLANNING ISSUES

Decentralised participatory planning raises certain administrative and procedural issues. These concern the composition of participatory structures, mode of their functioning, recording of decisions, conflict resolution, grievance redressal etc.

Another challenge is to link the banking system with local government planning. The existing instructions of RBI are not conducive to a good working relationship between local governments and banks. State governments can only play a limited role in this. Yet another planning issue, which has administrative implications, is about inter-tier linkages to be brought about in the Plan preparation as well as Plan implementation phases.
Kerala has attempted to address these issues through elaborate government orders prepared on the basis of feedback from the field. But the orders require annual modifications as newer challenges crop up.

GOOD GOVERNANCE FEATURES

Government has to play a conscious role to improve governance in local governments. Experience shows that it is relatively easier to introduce good governance features at the level of the local government. To recapitulate, some of the good governance features in the Kerala experiment are -

1. Transparency and right to information
2. Public IEC campaigns
3. Insistence on due process
4. Participation in all stages
5. De-bureaucratization especially in technical matters
6. Accreditation of NGOs to act as support agencies for local governments
7. Giving opportunities to young professionals to serve as apprentices in local governments e.g.; Civil and agricultural engineers, IT professionals etc.
8. Recognition of best practices by selecting Beacon Panchayats
9. Strengthening independent umpiring institutions
10. Introducing code of conduct for elected representatives and officials
11. Making Citizen's Charter compulsory
12. Revising office management systems to make them people friendly
13. Simplification and modernization using information technology

ROLE OF GOVERNMENT

Paradoxical though it may seem, the role of Government increases considerably in the early years of decentralisation; it has to play the role of an activist facilitator. Decentralization is a process and throws up several unexpected challenges during its course. The Government should have the readiness and flexibility to respond quickly. Some points highlighting the role of the Government are given below:

1. There is need for a high power co-ordination system which allows for fast-track decision-making, both policy and procedural, in respect of challenges thrown up by the decentralisation process. In Kerala there is a Co-ordination Committee under the Chairmanship of the Minister for Local Self Government which has Secretary (LGED), Secretary (Planning), Secretary (Finance), Secretary (SC/ST), Members of the Planning Board, Director of Panchayats, Director of Municipal Administration and Commissioner for Rural Development as Members.

   The Committee has the powers of the Government to take policy decisions on all matters relating to decentralisation except those involving additional commitments of funds or those concerning departments not represented in the Co-ordination Committee. This has enabled the Government to respond on line to field level problems and come out with solutions very quickly.
2. Government has to have a real feel of what is happening on ground. It has to be open to feed back from formal as well as informal channels. The most effective form of feedback is direct interaction with the local governments. Kerala has been following a gruelling system whereby the Minister, Secretary and the Head of Department meet heads of local governments (Village Panchayats at the District level, Block Panchayats at the regional level, Municipalities, Corporations and District Pasnchayats at the State level) along with the concerned officials at least one in four months at critical points - just before formulation of the Annual Plan, midway through the financial year and towards the end of the financial year. These meetings serve to clarify various points of view and help maintain an ongoing dialogue with the local governments.

3. The concept of local governments as partners of the government implies that it is not the department in charge of local governments', which alone is responsible for their effective functioning. All departments whose functions are handled by local governments have to play an active role with the department for local self governments playing the nodal role by setting policies and procedures. Each department is to be pro-active by issuing operational instructions in consonance with government policies and the laws and procedures governing the functioning of local governments. They have to monitor the performance of local governments in the discharge of functions related to their sector.

4. When there is radical decentralisation, the roles and powers of department staff at all levels undergo fundamental changes. In the case of officers transferred to local governments, their professional power and responsibility increases whereas their administrative power decreases and administrative responsibility remains more or less the same. These officers need be equipped to play their new role; for example, the medical officer of the Primary Health Centre has the difficult task of being the defacto Secretary (Health) of that Panchayat. He can no longer be a mere implementer of programmes but should attain the capability of formulating programmes. The Heads of Department and Senior officers under him who have no formal control over local governments tend to move out of the sphere of local governments; this has to be checked. They have certain critical roles to play like giving feed back to government, providing project ideas to local governments, giving the higher order technical inputs to them, laying down technical standards, motivating the staff of local governments and so on.

5. There are several structures particularly at the district level consisting of officials and non-officials, generally nominated, discharging functions which have been transferred to the local governments - like DRDAs, FFDAs, various societies under Health department etc. These were constituted at a timed when there were no democratic bodies at the local level. But now they have lost their relevance. Normally they have two components - a professional component and a political decision making component. The latter one has to give way when democratically elected bodies emerge or else there can end up as parallel power centres. Ideally the professional wings should serve the local governments. Kerala has already abolished DRDAs and is in the process of restructuring FFDAs/BFDAs. A similar restructuring of various Committees would be required.

6. The role of District Collector has traditionally been pivotal in the functioning of the district administration both developmental as well as regulatory. Before the advent of local governments the District Collector was doing practically all the development functions. Now the Collector's direct role in development maters has become quite marginal. At the same time the traditional strengths of a good Collector's - dynamism, understanding of development issues, honestly, service-mindedness, capacity to co-ordinate with various agencies, leadership in administration, acceptance by people - can be used to strengthen local governments. Kerala provides a good example where government could effectively mediate the change of role of Collector from a direct development implementer to a co-ordinator for local governments and a facilitator. The District Collector has been made the Member Secretary of the District Planning Committee thereby giving him a potential proactive role in the development of the district. He co-ordinates the provision of services to local governments by various departments particularly to Village Panchayats, Block Panchayats and the urban
local bodies. This helps him to give valuable feed back to government on policies, programmes and procedures. And Government passes down instruction through him.

7. Capacity building for managing the change is a tremendous administrative responsibility of the Government. There are so many persons to be trained both officials and non-officials. Capacity building has two components - training as well as providing professional support. In Kerala for training the institutional frame work of the State Planning Board and the Kerala Institute of Local Administration is being used.

Sufficient funds are earmarked for this activity. There is a pool of master trainers identified from government officials, retired officials and NGOs who provide a kind of cascading training to the staff and elected representatives of local governments. How-to-do handbooks and case studies of best practice enrich the training process. Professional support is being provided by tapping barefoot expertise, non-government sources as well as academic institutions especially for fresh graduates who could serve the local governments as apprentices.

The challenges of capacity building have been made more formidable by the fact that the reservation-cum-rotation system results in more new office holders and elected representatives once in five years. Since the term of most of them would expire after five years there has to be an intense bunching of training activities in the first few months.

8. Genuine decentralisation demands that there should be a gradual withdrawal of direct executive control over local governments. This has to be balanced with the need for accountability. The best option is to create independent regulatory institutions or strengthen existing ones. Kerala has gone considerable ahead in this process as may be seen from the following list of institutions:

a. The State Election Commission. The Election Commission has been given powers, which go beyond those required for the conduct of elections. It is empowered to delimit Wards, which were formerly done through the executive and it has been given powers to disqualify defectors.

b. The Finance Commission. This has been given the mandate as required by the Constitution. The first SFC was constituted in 1994 and the second SFC in 1999.

c. Ombudsman for Local Governments. This is a high power institution (it is the name given to an institution rather than an individual as is the conventional practice) consisting of seven members - High Court Judge, two District Judges, two Secretaries to Government and two eminent public men selected in consultation with the Leader of Opposition. This institution has been given vast powers to check malfeasance in local governments in the discharge of developmental functions.

d. Appellate Tribunals. These are to be constituted at the Regional/ District level to take care of appeals by citizens against decisions of the local government taken in the exercise of their regulatory role like issue of license, grant of permit etc.

e. Audit Commission. Though this has not yet been legislated a policy has been taken to set up an Audit Commission, which would be independent of governmental control and would function on the lines of Comptroller and Auditor General of India and would be able to set its own standards of audit.

f. State Development Council. This is headed by the Chief Minister and consists of the entire Cabinet, Leader of opposition, Vice-Chairman of the State Planning Board, the Chief Secretary, all the District Panchayat Presidents who are also Chairperson of District Planning Committee and representatives of other tiers of local governments. This institution is expected to take the lead in policy formulation and in sorting out operation issues.
As decentralisation progresses, the attitude of the government towards the local government has to go through appropriate phases which has administrative implications. In the initial days patience and tolerance are highly essential as several mistakes could be made - some of them bonafide and a good number of them malafide. Government should have all eyes and ears to grasp the complexities of the process. Quickly this should be followed by a corrective phase where the focus is on helping local governments to set their house in order. This would mark the period of stabilization and institutionalization. Thereafter the regulatory institutions should take over and have both preventive as well as punitive systems in place to avoid mal-administration and malfeasance.

CONCLUSION

Decentralisation throws up exciting possibilities for fundamental reforms. The general atmosphere of change opens up considerable space for far-reaching administrative reforms. There is much scope for modernization and possibilities for introduction of totally new systems and procedures. Thus decentralisation facilitates reforms from below, touching practically every sphere of governance.

Even fiscal reforms are possible. This would include rationalization of tax collection procedures, ushering in of fiscal responsibility provisions, introduce of performance-linked incentive grants, indexation of certain taxes and non-tax revenues so that they change automatically and periodically with change of money value and introduction of electronic budgeting for fiscal discipline, where every transaction and every modification would get recorded automatically for future reference.

In order to push reforms, action research and policy studies would be very useful. Here again Government has an active role to play.
Dr. Salehuddin Ahmed*

Issues in Fiscal Decentralization

Introduction

In most of the countries in Asia and the Pacific, the highly centralized planning approach introduced during the 1950s in an attempt to utilize the scarce resources available for development most effectively, has failed to achieve the intended goals. The extensive effort at national level to reduce income disparities among groups and regions has not made much headway. The main emphasis was placed on economic growth, neglecting other important dimensions of development such as the development of backward regions and communities as well as the administrative and organizational capacity of the government necessary to spread development activities to the grassroots level. The administrative system of many countries was highly centralized and bureaucratic and personnel recruitment and promotion were politically influenced; regulations were rigid, and morale was low. Such characteristics often involved delay or undermined the implementation of development plans and programmes. Non-governmental organizations and local units of administration were only marginally involved in the planning and implementation processes and thus plans formulated by professional and technical people in central planning agencies often could not be fully implemented. Even when plans were carried out, they often produced adverse or unintended results.

This experience has led policy makers and development practitioners to emphasize the need for decentralization and the creation of organizations that could plan and implement policies and programmes at regional and sub-regional levels. Each country in Asia and the Pacific has had its own reasons for pursuing decentralization measures but they have shared several common characteristics. These include the desire on the part of many governments to reduce the growing economic disparities among regions, to involve the resources and administrative capacity of local governments in that process and to encourage people's participation in their own development.

Some basic issues

The guiding principle behind the issue of political decentralization is that all citizens must enjoy equal access to public goods and services of a local nature, regardless of their actual location in the country, rural or urban. The logical question then is, what should be the range of services one wanted this level of government to provide? The conceptual answer is that these be what the society believes to be a relevant set of "local public goods" (like local health centres, local schools as opposed to national defence). On the continuum of different kinds of decentralization, that is (a) deconcentration, which is the administrative decentralization of government ministries; (b) delegation, which is transferring the central supervision to the local units; and (c) devolution, which is the independent establishment of sub-national governments with the responsibility to deliver certain services and, levy the taxes and fees to pay for those services. In Bangladesh, there has been very little devolution of authority by the central government to the local levels.

Once the choice of desirable range of local public goods has been made, one has to dwell on hierarchy of governments and the question of fiscal decentralization.

Fiscal decentralization relates to: 1) sorting out roles and responsibilities among governments; 2) intergovernmental transfers; 3) strengthening local revenue systems or defining local service delivery systems. There are two other aspects of decentralization in a broad sense (not directly related to fiscal decentralization) which are : privatizing state-owned enterprise (sometimes a local responsibility); and providing a safety net.
Three basic reasons why political and financial decentralization are being discussed worldwide are:

**Efficiency**

The efficiency criterion should guide the determination of the allocation of public sector responsibilities among the political jurisdictions within the government. Consequently, one would ask, if a service (e.g., elementary education or local law and order) would be better provided if administered by the government at the local, regional or national level. Indeed in the economics literature there is a presumption that efficiency in allocation would call for decentralization whereby only local government units would deliver local public goods (Tiebout, 1956 and Musgrave, 1983).

In fact in Bangladesh historically, primary education, primary health care and local infrastructures were within the domain of local governments which gradually have been taken away by agencies under the central government.

**Revenue consideration**

The local government needs a range of avenues where they can collect revenue in order to meet the demand on them to provide services. The issue goes beyond the concept of "local resource mobilization" and touches the issues like sharing of central government resources and transfer and grants-in-aid from the central government to the local units. The Local government units in Bangladesh should have access to higher amount of resources from various sources.

**Regeneration of local economy**

The daunting task of poverty alleviation in Bangladesh needs a synergy between the macro perspective and micro interventions. Without the regeneration of local economic activities and its effective vertical and horizontal linkages with rest of the economy, it will be difficult for the country to move forward. Decentralization provides a sound base for "learning process" of local development efforts. Experts in intergovernmental relations argue that one advantage of a decentralized governmental system is that it allows for experimentation with innovative ideas; it is a laboratory for government. If a local government experiment does well, it will develop a "best practice" for the rest of the country. If it does badly, it has a "worst practice" and the whole economy is not necessary stuck to it, which is an advantage.

**The Present Situation in Bangladesh**

In Bangladesh historically three tiers of local government bodies existed namely: Union Parishad, Thana (Upazila Parishad) and Zilla Parishad. Besides these three tiers, there were Municipalities and City Corporations. The local government bodies had the access to the following types of sources of their revenue:

a. Local taxes/levis (on markets, trades, holding tax etc.).

b. Shared taxes (land revenue, vehicle tax etc.).

c. Grants and transfer from the central government (grants for development works, grants for pay & salary of the elected members & staff).

d. User charges: Water rate, electricity rate etc.

However, the mismatch between the works to be performed by the local bodies and the available resources (from own sources and the central government) is enormous and as such the local government in Bangladesh is not very effective because of the neglect of the aspect of fiscal decentralization. There has been a lot of rhetoric (that too on political issues), but the whole picture is a dismal one.
In Bangladesh, the picture can be visualized when we see that only a tiny percentage of the Annual Development Programme is allocated to the local government bodies. In the recent Annual Development Programme, the share of the local bodies (including Pourashavas) is only 1.36% of the total. In fact, the local governments’ share in the total public expenditure has not exceeded 2 percent. In a unitary county like Bangladesh, a vibrant system of local government could be established when its share of total public expenditures approaches around 12 percent per annum.

The Way Forward

Having stressed the need for a multi-tier government and the rationale behind the idea, we move on to discuss the crucial element of the fiscal autonomy of various levels of government. While the scope of political decentralization comes up in many discussions on governance, rarely is the deliberation linked with the question of an appropriate framework of revenue sharing among different levels of government. Here the principle would appear to be simple. Given the assignment of tasks of the local government, it is an easy matter to figure out the likely magnitude of budget that each local government unit would need. One can then explore how much of the required revenue may be raised locally by the government in question. Clearly any excess requirement ought to be funded by means of a transfer from a higher level of government. Revenue collection, in turn, ought to be allocated among governments according to the expediency. It is also important to stress that any fiscal transfer (say, from central to local government) designed to be spent on local public goods, must be facilitated by means of a multi-period negotiated agreement among the governments involved. This would allow the governments involved in the exchange to plan in advance, and prepare a proper budget for the gradual implementation of its goals. Adequate legal provisions have to be made to cover the ‘activities’ and ‘processes’ suggested.

Local Government Finance Commission

The best way to achieve fiscal decentralization in the true spirit of overall decentralization is to set a permanent Local Government Finance Commission (LGFC) in Bangladesh. In India there is one Union Finance Commission at the central level and one State Finance Commission in each state, both of which have been set up under the constitutional provisions. The Commission may be enlisted with the following responsibilities:

a. Formulate appropriate principles and procedures for resource mobilization by different tiers of local government bodies;

b. Identify the sources of taxes, cess, toll, fee and facilitate its collection;

c. Assist in assessment of properties, income and other asset, for imposing taxes;

d. Allocate transfers and grants-in-aid from the central government to the local government bodies;

e. Allocate fund from the central government budget (Revenue and Development budgets) to the local government bodies;

f. Set up the targets for revenue collection for different tiers of local government and recommend for matching grants from the central government;

gh. Resolve any conflict in the financial matters arising between a local government unit and a unit of the central government;

h. Financial supervision and monitoring of local government expenditures and receipts;

i. Frame financial rules for the local government bodies.
The Commission members (including the Chairman) should be selected carefully and the Commission should be given full "autonomy" and should not be under any ministry and should only be answerable to the national parliament.

**A Normative Approach**

Having argued for an independent and permanent LGFC, we argue to determine the sources of revenue to be made available to the local government bodies. Two revenue goals, those relating to vertical balance and horizontal balance have to be kept in mind vertical balance means that each level of government should have sufficient resources to finance its expenditure responsibilities and the horizontal balance means that all local governments need the capacity to finance their responsibilities. Six major revenue sources for the local governments can be identified: (a) Local Taxes (b) Share of Centrally Collected Taxes (c) General Grants and Transfer from Central Government for development expenses and administrative expenses (d) Matching grants based on contributions of local government bodies (e) User charges (f) Borrowing from the Central government and from the market.

In deciding which taxes should go to which level of government, there may be some guiding principles as follows:

a. Local government need taxes that they can collect locally and know where the revenues belong;

b. Consider how fast the revenues grow over time;

c. Local governments should have the authority to set the tax rates.

The rationale behind grants and transfer of portion of collection tax revenues from the central government to the local governments are based on three arguments:

a. The national government frequently has greater access to better and elastic tax base;

b. There are variations in the abilities of various local governments to finance and deliver public goods and services;

c. Some national mandates or national priorities should be funded by the central government.

**Conclusion**

A question may arise, does fiscal decentralization jeopardize macroeconomic stability? There is little evidence of an incompatibility of decentralization and successful macro-stabilization policy (e.g. Canada, Germany, Switzerland, USA, European countries).

It is interesting to note that several key elements of the fiscal decentralization proposal discussed here find resonance in the writing of Roy Bahl. Foremost is the concurrence with the position taken in this paper of the importance of tying both political and fiscal decentralization together. Bahl (1999) notes that in order to capture the efficiency gains of local government, it would be necessary for the local government to have "a significant set of expenditure responsibilities and a significant amount of taxing powers" (p7).

The fiscal decentralization is in the nature of reforms that strengthen arrangements whose origins have been present in the various local government regimes in place throughout the history of Bangladesh. Presumably the central government may oppose the devolution which drastically reduces its direct influence into the structure of local government, which may have implications for party politics. Thus the proposal may be seen as mildly weakening the balance of power between the government in power and the political opposition. The fiscal arrangements may be resisted by the central government, but once the structure of political
devolution is in place, there may be little in the way of vested interest in opposing the financial arrangements.

We have come a long way from the sixties when the so-called "modernization" theory was in its peak. "The new elite will drive their people by 'forced marches' into the modern world ....... [seeking] to sweep away the last vestiges of the traditional order, to jolt the people out of their ruts and to attack their most ancient beliefs and practices" (Sinai, 1964, PP 218-219). Fortunately such theory has been discredited and people (poor, rural, neglected) are no longer a burden but strength for any society - decentralization will help release the unutilized and creative energy of the people to eliminate poverty from the face of the earth.

References


ISSUES IN FISCAL DECENTRALIZATION

DECENTRALIZATION: AN INTERNATIONAL PHENOMENON

1 Economic and social development
2 Improve service delivery efficiency and accountability
3 Government reengineering, privatization, and decentralization
4 Decentralization: reallocating functions and finances across government levels

DECENTRALIZATION IS A PROCESS: A MEANS, NOT THE END

WHY DECENTRALIZE?

1 Improves Efficiency:
   - Allows mix and level of services to be linked to the demand of the local citizens
2 Improves Political and Financial Accountability
   - Increases accountability of government to its citizens by "Bringing Government Closer to the People"
3 Improves Effectiveness:
   - Mobilizes citizen participation, creativity, innovation and ownership
   - Allows competition and innovation in public services ("best practices")

DECENTRALIZATION IN PRACTICE

Great Diversity:

1 Indonesia: "Big Bang" Approach
2 Kenya: "Incremental Stealth" Approach
3 Uganda: "Systematic Model" Approach
4 Latin America: "Democratization-Revenue First" Approach
5 Transitional Countries: "Market & Democratic Transition-Expenditure First" Approach
6 Developed Countries: "Efficiency Improvement-Post Welfare State Era" Approach
INTERGOVERNMENTAL FINANCE

Four Pillars of Intergovernmental Fiscal System

1 Allocation Of Expenditure Responsibility**
2 Assignment Of Revenue Sources**
3 Design of Intergovernmental Transfers**
4 Sub-national Level Borrowing/Debt

BASIC DILEMMA/PROBLEM :

VERTICAL IMBALANCE

HORIZONTAL IMBALANCE

ASSIGNING EXPENDITURE RESPONSIBILITIES

Financing Should Follow Function

BASIC PRINCIPLE:

Correspondence Principle (Subsidiarity)

To increase efficiency, public services should be provided by the jurisdiction having control over the minimum geographic area that would internalize benefits and costs of such provision. (Oates, 1972)

Key is to avoid overlapping / unclear service responsibilities between government levels.

TYPICAL LOCAL EXPENDITURES

- Waste Collection
- Road Maintenance
- Markets
- Water Distribution
- Bus Parks/Stations
- Education (nursery, primary, and secondary)
- Environmental Management
- Health (health clinics, regional hospitals)
- Planning and Land Use Regulation

BASIC ISSUES

Policy Vs Administration
Provision Vs Production
Expenditure and Revenue Synchronization
ASSIGNING REVENUE RESPONSIBILITIES

Basic Principles:

1. Economic Efficiency (Distortions and Social Welfare Costs)
2. Revenue (Buoyancy and Stability)
3. Equity (Benefit and Ability to Pay Principles)
4. Political Acceptability (Stakeholder Analysis)
5. Administrative Feasibility (Compliance & Administrative costs)

Local revenues are a necessary but not sufficient condition for effective fiscal decentralization

TYPICAL LOCAL REVENUES

1. User Charges and Fees/Licenses
2. Property Tax and Land-Based Charges
3. Business Taxes (Permits)
4. Vehicle and Transportation Taxes*
5. Income (Payroll Tax)*
6. Sales (Retail)*
7. Piggyback Taxes (with Local Rate Discretion)
8. Tax Sharing and Central-Local Transfers

AVOID TRADE / TRANSIT TAXES

ADMINISTRATION: THE CRITICAL OBSTACLE

Problems:

- Lack of citizen credibility
- Lack of political will
- Low collections
- Weak Enforcement
- Incomplete Revenue Base Information
Possible Solutions:

- Central Administration (e.g., property taxation in Chile)
- Co-administration (e.g., property taxation in Indonesia)
- Local Administration (e.g., Single business permit in Kenya)
- Privatized Administration (e.g., market management in Uganda)

The key is Revenues and Rate Discretion

INTERGOVERNMENTAL TRANSFER DESIGN

Clarify Objective

- Close the fiscal gap (vertical imbalance-tax sharing or general grants)
- Equalize fiscal capacity/needs (horizontal imbalance-formula general grants)
- Adjust for spillovers (externalities-specific matching grants)
- Increase central expenditure effectiveness (merit goods-specific matching grants)

AVOID DEFICIT GRANTS

INTERGOVERNMENTAL TRANSFER STRUCTURE

Predictability, Transparency and Accountability

Key Components:

- Size of the Pool (ad hoc, percentage, reimbursement basis)
- Distribution Criteria (derivation, formula, cost reimbursement)
- Monitoring and Evaluation

Example: Local Authorities Transfer Fund (Kenya)

- 5% of Income Tax
- Formula basis for distribution
- Provide Funds and Incentives for improved service delivery, financial management and debt resolution
LESSONS FOR EFFECTIVE FISCAL DECENTRALIZATION

1. Decentralization Contract Clearly Specified (clarify revenue and expenditure roles of each government level)

2. Local Governments Given Authority, Adequate Resources And Institutional Capacity (provide ability to implement responsibilities)

3. Incorporate Citizen Participation To Plan, Implement And Monitor (ensure link of demand and supply / enhance accountability-citizen "report cards")

4. Monitor And Evaluate To Ensure Results (ensure accountability and visibility for both central and local levels)

5. Provide Proper Incentives (provide reward, sanctions and penalties-e.g., hard budget constraints, elections)

6. Maintain Consistency And Implement (facilitate implementation and sustainability of reform process)
Dipak Sanan*

Issues in Implementation and Sequencing of reforms

Issues in Fiscal Decentralisation

Lessons from the Indian Experience

Conditions for Successful Decentralisation

1 Success

Situation that enables better delivery of public goods and services on a sustainable basis

- Requirement
  - Institutional arrangements that are able to assign appropriate roles to different levels of government consistent with efficiency, create the incentives to generate responsible behaviour and ensure accountability

Institutional Arrangements for Successful Decentralisation

- Fiscal dimension
- Expenditure assignment
- Revenue assignment
- Inter-government transfers
- Control over debt
- Political dimension
  - Participation and control of constituents over decision making

Core requirements

- Subsidiarity principle in expenditure assignment
  - avoid overlap, unbundle wherever possible

- Incentives for responsible behaviour
  - assign all possible revenue sources
  - ensure inter-government transfers do not create a moral hazard or reward non performance
  - place an effective hard budget constraint
    - wide dissemination and clear understanding of these rules of the game
The Practice of Fiscal Decentralisation in India

- To be viewed at two levels, as in all large federal situations
  - Centre and States
  - States and local bodies

Centre:State

- The positive features
  - constitutionally mandated assignment of expenditure and revenues (even though with an enormous revenue bias in favour of the centre)
  - constitutional provision for autonomous body to decide on inter-government transfers
  - constitutional provision for a constraint on debt to be raised by states

Centre:State

- The disturbing trends in practice
  - the centre's ability to encroach on expenditure assignment (concurrent list, centrally sponsored schemes)
  - the gap filling approach of Finance Commissions in recommending transfers
  - the discretionary flows possible through the Planning Commission and other guises
  - the constraint on debt only apparent

Evaluation of Centre-State Level Arrangements

- Scope for discretion and promotion of moral hazard in inter governmental transfers and absence of hard budget constraint on borrowings have seen a secular decline in the condition of state finances
  - they have allowed revenue expenditures specially on salaries, pensions, subsidies and interest payments to mount
  - paid inadequate attention to raising revenues
  - relied on debt to meet expenditure commitments
  - their ability to deliver/ perform has been suffering

Evaluation of Centre-State Level Arrangements

- In recent times
  - some movement towards rules in transfers and market based constraint on debt but discretion and patronage still have considerable scope
also attempts to bring reform and improve governance and the fiscal situation at state level

action still needed on a fiscal responsibility act, more rule based transfers, possibly a bankruptcy law for states to make a hard budget constraint credible and bail out possibilities more difficult

constraints-legacy of centralisation and exercise of patronage with little tradition of local responsibility

Overall signals- although macro-economic mgt. Is a concern but the incentives for better fiscal behaviour by States are mixed, inequities between them are likely to grow

Inter-governmental transfers

First lot of State Finance Commission reports show little attempt at linking to expenditure assignment, tendency to only recommend increase in transfer, at best gap filling

in general has resulted in decrease in own revenue raising by local bodies

eg. Approach of First SFC in HP

assess own receipts of local bodies and expenditure as far as possible on actual basis or on the basis of actual stock of assets and norms for their maintenance

recommend grants in aid to fill gap

Control on Debt

In general, a hard budget constraint in terms of permission of state government for all debt is in operation

In practice no norms or systems evolved yet to regulate

Not an issue of great concern yet except in the case of some of the large cities

State-Local Body institutional framework

Initially completely in state domain

Post 73rd and 74th amendments (1993) a basic framework required of all states-

Election Commission, Finance Commission and legislation on expenditure assignment

Action on the ground complicated by the legacy of centralisation-

both in terms of mindsets as well as the service delivery structures which have already been created

Expenditure Assignment

Different patterns across states but in most

little effective assignment on the rural side, resource flows largely through a multitude of central and state sponsored schemes

little by way of capacity building
• appropriate roles at different levels of a three-tier rural structure still to be defined
• at best an agency situation at different levels

Revenue Assignment

• Different patterns across states but in most
• few powers to levy or collect taxes, fees or user charges
• little attempt to establish linkage with expenditure assignment
• often constrained by rigid controls

Current Challenge

• In the context of constraints imposed by the legacy of centralisation and the structure
given by the constitution: many issues of concern-
• How to improve expenditure and revenue assignment to local bodies and ensure
appropriate roles for different levels? (sequencing, staff and multi-tier issues)
• How to prevent inter-governmental transfers from being discretionary as well as
promoting a moral hazard?
• How to bring about capacity to undertake and willingness to accept responsibility at
the local body level?

Current Approaches

• Different approaches being exhibited by states depending on history, size of different
tiers, employee issues, the political economy context-
• traditional model of Maharashtra/Gujarat- ZP (district) as main level with lower levels
subordinate to it and with staff largely deputed from state level. Being pushed in many
states with variations.
• Kerala model- despite large scale resource transfers only an inversion of the ZP
model with GP as a focus?
• incremental replacement based on staff attrition- reach appropriate assignment over
time- HP
• hold elections but carry out only cosmetic assignment- Bangladesh model?

Hope for a better future?

• Only demand generation from below and acute fiscal and governance crisis at state level
with bailouts linked to properly designed arrangements which also address staff issues
seems to offer hope of success in the near future.
• This casts a special responsibility on the centre and donors to ensure appropriate
conditions are incorporated in structuring the inevitable bailouts
Reform issues need urgent attention on Local Government institution (LGIs) and field administration may broadly be divided into following there categories:

1. Constitutional - Legal
2. Administrative - Organizational
3. Innovative - Developmental

**Constitutional and Legal issues**

Existing legal framework of Local government in Bangladesh basically composed of constitutional provisions, acts, rules and government orders promulgated, passed and circulated from time to time. In many cases these seem ambiguous, ambivalent and confusing. Any attempt to institute reform initiative needs amendment of the relevant articles of the constitution (Articles 9, 11, 59, 60, 152 (1)), Acts related to Gram parishad, Union parishad, Upazila parishad, Zila parishad, Pourashava etc and subsequent changes in the rules framed from time to time by the government.

The following matrix has been prepared suggesting a list of constitutional - Legal changes that must be completed before November, 2002.

<table>
<thead>
<tr>
<th>Sl. no.</th>
<th>Issues</th>
<th>Specific area Reform</th>
<th>Lead Agencies</th>
<th>Allied/supporting organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Amendment of the constitution (Article 9, 11, 59, 60 and 152 (1)) to make the liberal democratic spirit of the constitution operable within the administrative reality</td>
<td>(1)&quot;Sthanio Shason Sonkranta Protisthan&quot; should be replaced by &quot;Sthanio Sarkar&quot; in all those four articles and the issue of LGIs in all the Corresponding administrative units need reconsideration</td>
<td>M/O LGRDC and M/O law and parliamentary affairs</td>
<td>NILG, BARD, RDA Local Government Support Group, CAPRE etc.</td>
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<td></td>
<td></td>
<td>(2)The definition of administrative unit in article 152 also need reformulation.</td>
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<tr>
<td>2</td>
<td>Repeal of Polly Parishad Act 1997, Upazila parishad Act 1998, Zila parishad Act 1999 and</td>
<td>(1)Rural and urban LGIs may be covered under one Act namely the Local Government Institutions Act (2002)</td>
<td>LGRD&amp;C/L&amp;P A</td>
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</tr>
<tr>
<td>Revision of Union Parishad Act 1983 and Pourashava Ordinance 1977 to update Various provision of rural and urban LGIs.</td>
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<tr>
<td>(2) Provision could be made to form LGIs only in two units i.e. at union and upazila levels for rural areas by making the unions as the focal point of rural local government. District may be made the focal point of administration, Local Level planning and development coordination instead of LGI.</td>
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<tr>
<td>(3) Present criteria for creating municipalities based on demographic characteristics need revision. Economic and resource base criteria need to be inserted for creating new municipalities and categorization of municipalities into A, B &amp; C also need revision.</td>
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<tr>
<th>3. Promulgation of an act for creating a Local Government Commission</th>
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</thead>
<tbody>
<tr>
<td>(1) The commission will be composed of Professionals with background in Local Government, Institutions, finance, Law and other relevant fields</td>
</tr>
<tr>
<td>(2) The commission will help the Government to draft various bills on LG acts, Law, rules etc, review the functions of LG system from time to time and suggest changes. The commission may also assesses financial requirement of LGIs, settle disputes and discrepancies between the national government agencies and LGIs</td>
</tr>
<tr>
<td>(3) The commission may also be given responsibilities to formulate Local government personnel policy and monitor its implementation.</td>
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</table>

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<tr>
<th>4. Change of the composition of all LGIs</th>
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<tbody>
<tr>
<td>(1) The existing “all powerful chairman” system deserve to be</td>
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</table>
Administrative - organizational issues

The following contradictions and limitations exist within the broader aspects of Administrative-organizational sphere of LGIs and field administrative Units in Bangladesh.

1. Overlapping, Duplications and multiplicity of Jurisdiction, authority and functions among the government agencies within the same unit and between LGIs and government agencies functioning within the same geographical location.

2. In most of the cases authority, manpower and resource are with the government agencies and responsibilities are bestowed in the LGIs at the corresponding levels (Union, Upazila and Zila).

3. Too many tiers and Units in LG and field administration without defined function and overlapping Jurisdiction create problem.

4. Lack of a focal point in field administration unit and LGIs.

5. Lack of a system which can make government agencies and LGIs locally accountable at their corresponding Levels.

6. Lack of administrative resources and financial discipline result in corruption and misuses of resources.

7. Projectization of development efforts results in fragmented isolated, piecemeal and adhocism in the area of Local development. Absence of an integrated planning system among the local level government agencies and LGIs is wasteful.

8. Lopsided organizational structure leading the LGIs to take a non-participatory and non-democratic character. Example, Chairperson dominated LGIs and bureaucracy dominated government agencies essentially ignore the democratic process of development.

Reform Agenda under Administrative - Organizational Issues

1. Like the LGIs the multiple administrative units from Division to villages also create problems and add to the total expenses of the government. Tiers of field administration may be reduced to just three-District, Upazila and Union. The Divisional tier may be abolished and manpower and resources of the Divisions be distributed among the districts, Upzilas and Unions.

2. District administration needs to be strengthened and brought under a single and uniform command.

3. A viable local level planning process should be started from the district level. A comprehensive district plan book may be prepared.

4. Resources should be allocated to all the LGIs on the basis of their five year and Annual development plan. Than Plans Book and Union Plan Book initiated by BRAD Comilla in the 1960s and updated by LGED in 1980s need to be made mandatory for infrastructural development at these two tiers of LGIs.

5. Health, Population and family welfare, primary education, agriculture, fisheries, livestock activities at the union level need to be transferred gradually to Union Parishads and respective parishads will prepare plans for their unions.

6. Three specific manuals on the following subjects should be prepared for LGIs with experts help. They are:
a. Administration and management manual
b. Accounts, finance and audit manual
c. Planning and plan implementation manual

The manuals will equally be applicable for all LGIs irrespective of rural and urban.

A comprehensive training curriculum for the representatives and officials of LGI need to be developed in view of the above legal and administrative changes.

All these given agenda should not take next one year to complete. The annual budget 2002-2003 should reflect the issues in its resource allocation schedule.

Innovative - developmental Issues

Instead of innovative locality and culture specific developmental process LGIs have become stereo-type grant dependent and rule bound institutions.

Changes and reform initiatives in the existing system demand firm political commitment, wise and skilled implementation process at all levels of government machinery’s, for facilitating the process, a tentative sequencing of reform initiative suggested for consideration. The whole initiative may be divided into two types in view of the time frame i.e. long term and short term basis. Five year is the total life span of an elected government. So long term may be the full term which is not a very intelligent. The reform agenda suggested above need to be completed within the second year of a “politically intelligent” government.
Junaid K. Ahmad

Implementation and Sequencing
From Trojan Horses to Big Bang

Separation of Powers

* Judge, jury, executioner: cannot be one and the same

Why?
* No one reason
* Technology
* Demographic Shifts
  - Urbanization
* Political Aspiration
  - Democracy (Military?)
  - Protection of communities
* Failure of service provision by the center

How?
* No one path to separation of powers
* The Big Bang
  - South Africa, Indonesia, Pakistan, Kerela
* The Slow and Gradual
  - But, direction is clear
  - India
* The Trojan Horse Approach

Key Lessons of Implementation
* Half-way houses: very distortionary
  - But, may be needed
* Asymmetric Decentralization
- Big cities, towns, rural-urban

* Managing Transition
  - Role of the center critical
  - Macro-balance critical

"Ideal" Sequencing

* Constitutional Provision - Local Government Act
  - Expenditure, Taxes, Transfers, Borrowing Rights
  - Rules about administration placement
  - Financial management
  - Rules about bankruptcy and failure of responsibility: the hard budget constraint
  - Commissions
  - Fiscal before finance

* Elections
* Capacity Support and incentives
* Monitoring and Evaluation

The Reality of Bangladesh

The Trojan Horse Approach: Responding to Windows of Opportunity

Two Community Based Technologies

* Rural Piped Water
* Off grid: renewable energy

Key Issues

* Experience shows that provision and sustenance of local infrastructure required for wealth creation and poverty reduction occurs most effectively when communities and local governments work jointly to make local allocation decisions
* Social contract for providing public goods
Capacity is Not Necessarily A Constraint

* Capacity is not destiny
* Capacity grows with responsibility
* Synergy between decentralization and capacity growth
* The center matters!

Designing Market-Based Capacity Support

* Demand window: capacity defined in the local context
* Supply Window: Mobile Teams
  - financial, technical, community mobilization
* Fiscal incentive: reward success
* Monitoring and Evaluation
  - correcting course and fiscal incentive

Tentative Conclusion

* Window of Opportunity:
  - WSS & Small Towns
* Tier: 2
* Clear fiscal transfers with capacity support
* Budgetary Support to national
* Allow direct contracting
* Create a dialectic

Pakistan

The Big Bang Approach

LOCAL GOVERNMENT SYSTEM

LOCAL GOVERNMENT TRANSITION
Chief Executive's Committee on Devolution comprising Federal and Provincial Chief Executives and Ministers

- Provincial Transition Groups
- District and Tehsil Transition Teams
- Guidelines for Administrative Transition
- District, Tehsil, City District Transition Guidelines and District, City District, Tehsil and Town Transition Reports
- Devolution Transition Fund for one-time transition costs
- Orientations and Training for elected representatives
- Comprehensive orientations for Nazims

**DISTRICT POLICE**

- Provincial Government will raise, organise, equip, train, maintain and provide police force to district.
- Investigation and prosecution functions separated - Deputy District Officer Prosecution under District Officer Law.
- Capital City Police more self-contained and independent
- UC may have village police: trained by police department, funded by UC.

**DISTRICT POLICE**

- District Police Head selected by Zila Nazim from panel proposed by provincial police; directly under Zila Nazim writes ACR - no other police official under elected members. Technical Reporting to Provincial Police Officer.
- Other Police officials may be suspended by District Police Head on order of Zila Nazim, through recommendation of District Public Safety Commission

**DISTRICT OMBUDSMAN**

Zila Mohtasib, to investigate maladministration on complaint or suo moto cognisance of matter involving public interest.

**DISTRICT OMBUDSMAN**

Selection

- Advertisement.
- Selection Committee comprising: High Court Judge; Wafaqi Mohtasib Secretariat representative; public member appointed by Zila Nazim, approved by Zila Council.
- Selection Committee meetings open to conviction.
Removal - only for neglect of duty or conviction

City Governments
Which Model?

Which Model of City Governance?
- Metropolitan
- Metropolitan Government with Economic Decentralization
- Metropolitan Government with Political Decentralization

Restructuring of Johannesburg

Economic Decentralization
- One Metropolitan tier with the executive
- The metropolitan area does not have any independent municipalities under its jurisdiction
- Metro divided into "regions"
- Each region elects a councilor to represent the region at the metropolitan level
- Fiscal/Political power is centralized
- Service delivery is decentralized

Political decentralization
- Several independent municipalities with their own elected political leadership
- A metropolitan tier above the municipalities with its own elected political leadership
- This two-tier structure-metropolitan tier and the municipalities-form the political structure of the mega-city
- Commercial/network services delivered by corporate entities

Key Differences
- In the political decentralized mode, political and fiscal power is shared between the metropolitan and municipal tier. The metropolitan tier and municipalities jointly keep each other in check
- In the economic decentralized mode, political and fiscal powers resides at the metropolitan level. The regions are only de-concentrated arms of the metro unlike the independent municipalities of the first model
Similarities

- Fiscal and political power is devolved to city governments
- Both models adopt corporate structures for the financing and delivery of municipal services with user-charges
- In both models the city has share ownership with expected dividends from the corporations
- Danger of political deadlock

Conclusion

* Window of Opportunity:
  - WSS & Small Towns
* Tier: 2
* Clear fiscal transfers with capacity support
* Budgetary Support to national
* Allow direct contracting
* Create a dialectic
PART THREE

HIGHLIGHT OF THE DISCUSSION

Summary of Discussions

Political Economy of Decentralization

There is little overt opposition in South Asia to the goal of decentralization and strong local governments. However, the key challenge lies in transforming decentralization into a compelling political agenda.

In India, the 73rd and 74th Amendments to the Constitution in December, 1992 gave a constitutional big push to local governments. A balance-sheet of gains and losses over the decade since the constitutional amendment shows the following:

Positive
- Deprived groups have their own representation
- Women’s involvement in public life has strengthened (law says not less than one-third reserved for women both for members and chairman)
- Democracy at the local level the base for democracy at the national level (3.4 million are getting elected of which 1 million are women)
- Popularisation of the concept of local-level planning (people's plan)
- Untied funds for local government has led to local resource mobilization through matching grants
- Increased public awareness about corruption around development resources
- Greater involvement of civil society/NGOs in local government issues
- Training programmes have expanded leading to capacity-building
- New ideas have come up eg. Social Audit, People's Assembly (Gram Savha)

Negative
- Lives lost because of standing up
- Postponement of election was used as a ploy by power-brokers but supreme court has intervened
- Central government putting obstacles by creating parallel bodies at the local level which are chaired by central bureaucrats
Idea of district government under control of minister and DC undercutting the local government agenda

MP has right of attendance and advising (this was a flaw in the original amendment)

2 crores given to MP (this was not a constitutional provision); this money used to build political support lobby and has led to great corruption

Centrally-sponsored schemes takes up huge resources

In Bangladesh, local governments do not enjoy constitutional guarantee but local governments are provided for in the existing law and they currently exist at the union and municipality levels. The 'political will' question is more complicated here compounded by the fact that some of the local governance vacuum is occupied by central agencies, MPs and NGOs.

Some of the desired changes are a question of time. In India, women councilors faced many problems in those states which lacked a history of female activism as in Uttar Pradesh. The problem was much less in Kerala with its strong tradition of grass-root civic activism. Time and effort to create a culture more friendly to women is important.

Local governments are not an end in themselves; they are an instrumentality for bringing about positive social and economic change. Donors can play a role in training of local governments and strengthening civil society to create a more democratic environment.

Administrative steps alone will not bring about strong local governments. Public pressure is a must.

Greater public consciousness is an important factor as also the regularity of elections. A local government political constituency is important.

Learning by doing is the best approach to capacity-building.

While efforts should focus on a 'big push' to reforms in Bangladesh, one should also prepare for a minimum reform package. It is important to avoid being too experimental but build on existing strengths.

How should a vibrant local government sector in Bangladesh look like in 10 years from now? One participant's answer:

- Two focal tiers at union and upazila level
- Local governments should not be in the shadow of MPs
- A learning-by-doing approach to capacity-building
- A mix of conditional and unconditional budgetary grant support to local governments
- Donors should not encourage parallel structures.

**Chairperson's Summing Up**

We have some positive things for us. We can learn from India's experience and also avoid their pitfalls.

We also have our own experience, the earlier rounds of experience with upazila parishad and gram sarkar. We can learn from these.
Discontinuity need not be a disadvantage. It can rather be put to advantage because it is much easier to make changes in Bangladesh compared to say India.

In general we should avoid the idea of indirect elections at any tier.

**Administrative Decentralization and Accountability**

**Bangladesh Experience**

People do not know what, which, where is the 'government'. This points towards the nebulous nature of the decision-making process.

In the first round of elected parishad at upazila level in the late 80s, the reality was that Upazila only had a elected government but functioning was completely controlled by central circulars.

The nondescript administrative circular often has greater real-life bearing on local governments than big legislation or commission reports.

Unless government decentralizes to its own functionaries, how can it decentralize to local governments?

**The Kerala Experience of India**

Kerala went for a big bang approach; all development departments were decentralized as well as one-third of the budget.

The trigger was the political will. The political moment was also important; there was a new government. The emphasis was on political decentralization.

Kerala chose only two tiers.

First steps:

- define functional domains
- clarify role and inter-tier linkages

Current roles had all been designed for central govt. They have to be re-designed for local governments.

In West Bengal, local governments are implementing agency but in Kerala, they are planning agency.

Staff policy: Should local government create its own staff? Kerala’s experience says no. There was no change in service rules for staff but control was given to by local government. Staffing pattern can also be a policy variable available to local governments.

No discretionary scope in budget allocations; 90% of allocation is untied but an expenditure framework has been developed in collaboration with local associations.

The Kerala reform process also followed a strong campaign approach which was facilitated by the NGO called the Peoples Science Movement.

Every local government document is a public document. There is also the provision for a formal social audit.

No executive control over local governments. Rectification politically.
Technical approval on projects by committees through an outsourcing process. The process has thus been de-bureaucratized.

MP's development budget is not a healthy idea. Over time, this can be phased out and MP moved to central roles.

Local governments have been good in:
- water supply management
- natural resource management
- contribution mobilisation.

Local governments have been bad in:
- health planning
- service-delivery
- tax-collection

Local governments can be an effective entry point for governance and fiscal reforms.

It has been difficult to ignite economic dynamism through local government reforms.

**Discussion**

While a big push on reforms is the desired goal, the challenge is how to bring political will into play in an environment like Bangladesh.

Clarity on roles, rights and responsibilities is a must. Currently, elected women members are hampered in playing a more effective role because there is no clear enunciation of their roles. A manual setting out their roles and responsibilities would be an important beginning.

Regularity of meetings with full participation of all concerned is important for establishing public image of local governments as well building pressure for accountability.

Unlike in India, where it is not a local government subject, law and order is a key concern in Bangladesh. People have great expectations from local government in this regard but they have little formal powers to contribute.

The Indian experience of 30% reservation may be the solution for empowering women's participation.

If big bang seems politically unlikely, should we look for small bangs? One could initially concentrate on subjects in which central government may be more willing to decentralize eg. water supply.

A campaign approach to reforms is important. This should allow space for all relevant non-government actors.

Charismatic politics are not conducive to strong local governments but cadre-based parties are.

Current tenure of local government set at 5 years should be reduced.
Chairperson's Summing Up

A 'big bang' approach is required. The argument that countryside is not ready is incorrect.

Politicians do not like to share power so are not friendly to local governments. There is no sense of separation of powers, so MPs feel that they are executive bosses. However, the question as to how to reconcile the powers of local governments and of MPs has to be resolved.

Constitutional guarantee of local government and its resources is critical.

Unitary rather than federal form of government is preferable.

Local government should have hire and fire authority over their staff. Earlier upazila experiment failed because they did not have this authority.

4 tier local government is a misnomer. One local government cannot be under another. Each local government performs under its charter.

Focus on district government is necessary. Police function can be handed over to local government after a suitable interval.

Decentralization through devolution not through delegation is required.

Issues in Fiscal Decentralization

Four pillars of inter-governmental fiscal system:
- allocation of expenditure responsibility
- assignment of revenue sources
- design of intergovernmental transfers
- sub-national level borrowing/debt

Typical local expenditures:
- waste collection
- markets
- bus parks/stations
- environmental management
- planning and land-use regulation
- road maintenance
- water distribution
- education
- health

Typical local revenues
- user charges and fees/licenses
- property tax and land-based charges
- business taxes (permits)
- vehicle and transportation taxes
- income (payroll) tax
- sales(retail) tax
- piggyback taxes (with local rate discretion)
- certification tax

Typical problems in local fiscal administration
- lack of citizen credibility
- lack of political will
- low collections
- weak enforcement
- incomplete revenue base information

Typical dilemma/problem in fiscal decentralization
- vertical imbalance: i.e. each level of government does not have sufficient resources to finance its expenditure responsibilities
- horizontal imbalance: i.e. local governments do not have the capacity to finance their responsibilities.

Chairperson’s Summing Up

Building local governments precedes the question of financing.

Bangladesh is following neither a big bang nor an incremental but rather a zigzag approach.

Entrenched vested interests are the main block to local government. Taking account of political realities is critical here.

Honorarium payments to functionaries is illogical. Specific payments is the ruling mode instead of block grants.

People’s faith in local government: is it real?

Why local governments cannot collect taxes? Tax-payers are not motivated because there is no focus on service quality.

District Council Act has allowed for more bureaucracy; even though the council is not functional, the bureaucrats are already in place. This is a total waste of money.

Before giving new money, current wastage at the local government units should be examined.

No local government is qualified to take debt. For this, local government financial capacity has to be improved first.
Instead of commercial borrowing, a Municipal Development Fund can be considered, a fund pool from which best practice local governments can borrow.

Permanent Financial Commission is not yet relevant.

**Issues in Implementation and Sequencing**

Decentralization ultimately is about separation of powers. The routes of separation can be many:

- Administrative
- Market
- Community
- Administrative tiers

The key implementation issue is how to manage the transition. One can go for:

- big bang approach
- slow and gradual approach
- Trojan horse approach

Political reality will dictate which path is more feasible than the other. In the Bangladesh context, political will remains a big challenge. One has to look for innovative ways to advance the local government agenda.

The ideal sequencing of reforms could be:

- Constitutional provision: Local Government Act
- Election
- Capacity support
- Monitoring and evaluation

Windows of opportunity to strengthening local governments: focus on the community-based technologies of

- rural piped water
- off grid renewable energy

Delivery models:

- Public agency: eg. LGED
- Society - community: REB
- LG - community

At a practical level, reform planning can usefully be divided into:

- constitutional - legal
- administrative - organizational
Chairperson’s Summing Up

Strong local governments will remain a distant reality if advocacy on the issue is not significantly scaled up. Preaching to the converted cannot has become the problem with civil society advocacy. Entrenched vested interests and inertia is too powerful to be shaken by occasional seminars. A significant scaling up of civic activism only can begin to make change possible.
PART FOUR

FINDING AND RECOMMENDATIONS

Key Insights

A Commitment Already Exists...

- There is general support for local government
- Constitution already provides for local governments
- We have actual experiences to learn from
- Discontinuity can be put to an advantage
- Local governments enjoy great popular legitimacy

The Political Moment Is Important...

- There is a new Government
- The issue of local development is at the center of national attention
- Local governments can be the missing entry point for coming to grips with governance and fiscal reforms

Learning by Doing...

- We do not have to wait for the ideal plan
- Capacity building is a process
- Start on areas where consensus already exists and build consensus on the newer challenges
- We should identify the best practices

Some Credibility Steps are necessary...

- Early holding of due elections
- Some specific steps on new budgetary transfer to local governments
- Formation of a Working Group to assist in formulation of a minimum set of reform steps for 2002

The Windows of Opportunities must not be missed...
DR. HOSSAIN ZILLUR RAHMAN*

FINDING AND Recommendations

Immediate Steps

- Early holding of elections due under existing law
- A new grant facility in the coming budget for direct transfer to Union Parishads for innovative expenditures under specified guidelines
- Formation of a Working Group through a cabinet circular drawing on persons from within and outside government to propose a reform package implementable in 2002 (and to prepare expenditure guidelines for the proposed new grant facility for union parishad)
- Issuance of a circular on the rights and responsibilities of elected women members

Next Steps

- Preparation of a constitutional provision to override all existing local government acts and to settle questions of constitutional protection of rights, responsibilities and resources of local governments.
- Tier issue should be settled once and for all. Universal consensus exists on Union Parishads and Pourashavas. The urgency of a higher level tier is also universally felt. Below the Union, Gram Sarkar (not an elected local government) to ensure people’s mobilisation and accountability pressure on the elected bodies.
- Preparation of a plan for capacity-building support to local government bodies.
APPENDIX ONE

List of Participants

Policy Makers

<table>
<thead>
<tr>
<th>Name and Designation</th>
<th>Organization</th>
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</thead>
<tbody>
<tr>
<td>Mr. Abdul Mannan Bhuiyan, MP</td>
<td>Ministry of LGRD &amp; Co-operatives</td>
</tr>
<tr>
<td>Mr. Ziaul Haque Zia, MP</td>
<td>Ministry of LGRD &amp; Cooperatives</td>
</tr>
<tr>
<td>Advocate Ruhul Quddus Talukder (Dulu)</td>
<td>Ministry of LGRD &amp; Cooperatives</td>
</tr>
<tr>
<td>Mr. Rashed Khan Menon</td>
<td>Workers Party of Bangladesh</td>
</tr>
<tr>
<td>Mr. Jahir Uddin Swapan, MP</td>
<td>BNP</td>
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<td>Mr. Hasanul Huq Inu</td>
<td>Jatiyo Samajtanrik Dal (JSD)</td>
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<td>Mr. A N M Khaiyam, MP</td>
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<td>Professor Muhammad Yunus</td>
<td>Grameen Bank</td>
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<td>Dr. Salehuddin Ahmed</td>
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<td>Mr. Abdul Muyeed Chowdhury</td>
<td>BRAC</td>
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<td>Mr. Q I Siddique</td>
<td>Institute of Engineers</td>
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<td>Dr. Hossain Zillur Rahman</td>
<td>PPRC</td>
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Academia

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<th>Name and Designation</th>
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<tr>
<td>Dr. Zarina Rahman Khan</td>
<td>Dhaka University</td>
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<td>Dr. Tofail Ahmed</td>
<td>SSWRDSP</td>
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<td>Mr. S Aminul Islam</td>
<td>Dhaka University</td>
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Dr. Salahuddin Aminuzzaman  
Professor  
Dhaka University

Mr. A M A Muhit  
Former Secretary

Mr. M Mujibul Huq  
Advisor  
UNICEF

Mr. Amiayangsu Sen  
Former Secretary

Md. Muhammad Ibrahim  
Professor  
Dhaka University

LG Functionaries

Syed Musaddique Hossain Labu  
Chairman  
Dinajpur Pourashava

Mr. Enayet Hossain Montu  
Chairman  
Gorai UP, Mirzapur & President UP Chairman's Association

Mr. Nurul Absar  
Chairman  
Cox's Bazar Pourashava & General Secretary Pourashava Chairman's Association

Mr. Najmul Huq Babu  
Chairman  
Mesta UP, Jamalpur

Mr. Md. Nazrul Islam  
Chairman  
Nandalapur UP, Kumarkhali, Kushtia

Ms. Hasna Hena  
Member  
Nabinagar UP, Nabinagar, Brahmman Baria

Abul Hossain Chowdhury  
Chairman  
Gayhatta UP, Tangail

Ms. Sweety Begum  
UP Member  
Bagabati Union Parishad Sadar Upazila, Sirajganj

Government Functionaries

Name and Designation  
Organization

Dr. Akbar Ali Khan  
Cabinet Secretary  
Cabinet Division

Dr. Kamal Uddin Siddiqui  
Principal Secretary  
Prime Minister's Office

Mr. Badiur Rahman  
Secretary  
Planning Division
Jamshed Ahmed  
Assistant Director  
NILG

Abdullah  
Joint Chief  
Planning Division NGOs

Dr. Badiul Alam Majumdar  
Executive Director  
The Hunger Project

Ms. Masuda Khatun Shefali  
Executive Director  
Nari Uddog Kendra

Ms. Shaheen Anam  
Program Coordinator  
IFSP, CARE Bangladesh

Ms. Farida Akhter  
Executive Director  
UBINIG

Ms. Shireen Huq  
Coordinator  
Nari Pokkho

Mr. Sohel Ibn Ali  
Director  
Samata

Dr. Habibur Rahman  
Local Government Initiative  
ARDB

Naimuzzaman Mukta  
The Hunger Project

Begum Rehana Siddiqui  
President  
For You For Ever (FYFE)

Masuda Khan  
For You For Ever (FYFE)

Syed Ziauddin Ahmed  
Director  
PPRC

Media

Mr. Muhammad Jahangir  
Executive Director  
Centre for Dev. Communication

Mr. Farhad Mahmud  
Managing Director  
ETV

Rafiqul Alam Rana  
Development Partners  
Dreepta Katha

Ms. Farah Kabir  
Governance Advisor British Council

Markus Waldvogel  
Coordinator  
SDC

(Alternating with Fazila Begum Lily, Programme Officer)

Ms. Sandra Nicoll  
Governance Advisor  
DFID

Mr. Tim Robartson  
Natural Resources and Environment Advisor DFID
APPENDIX TWO

PROGRAM

9 March, 2002

08:30 hrs.  Registration of the participants
09:30 hrs.  Inaugural Session

Chief Guest:  Mr. Abdul Mannan Bhuiyan MP
Hon'ble Minister for Local Government, Rural Development & Cooperatives

Special Guests:  Mr. Ziaul Haque Zia MP
Hon'ble State Minister, Ministry of Local Government, Rural Development & Cooperatives

Advocate Ruhul Quddus Talukder (Dulu) MP
Hon'ble Deputy Minister, Ministry of Local Government, Rural Development & Cooperatives

Key-note Speaker:  Dr. Hossain Zillur Rahman
Executive Chairman
Power and Participation Research Centre

Chairperson:  Mr. A.Y.B.I. Siddiqi
Secretary, Local Government Division

11:00 hrs.  Refreshments
11:30 hrs.  Technical Session I: Political Economy of Decentralization

Chairperson:  Professor Muhammad Yunus
Managing Director, Grameen Bank

Presenters:  Dr. Hossain Zillur Rahman
Executive Chairman
Power and Participation Research Centre

Dr. George Mathews
Director
Institute of Social Studies, New Dehli, India

Open Discussion

13:30 hrs.  Lunch Break
14:30 hrs.  Technical Session II: Administrative Decentralization and Accountability

Chairperson:  Mr. M. Mujibul Huq
Former Secretary, Cabinet Division, GoB

Presenters:  Mr. Abdul Muyeed Chowdhury
Executive Director, BRAC

Mr. S. M. M. Vijayanand
Member-Secretary, Planning Board, Kerala, India

Open Discussion

16:30 hrs.  Tea Break
10 March, 2002

09:00 hrs. Technical Session III: Issues in Fiscal Decentralization

Chairperson: Dr. Akbar Ali Khan
Cabinet Secretary, Cabinet Division

Presenters: Dr. Salehuddin Ahmed
Managing Director
Palli Karma Shahayak Foundation (PKSF)

Dr. Roy Kelly
Stanford Institute for Public Policy, Duke University, USA

Mr. Dipak Sanan
Secretary, Finance
Government of Himachal Pradesh, India

Open Discussion

11:00 hrs. Tea Break

11:30 hrs. Technical Session IV: Issues in Implementation and Sequencing of Reforms

Chairperson: Dr. Kamal Uddin Siddiqui
Principal Secretary,
Prime Minister's Office

Presenters: Dr. Tofail Ahmed
Professor
Public Administration Chittagong University

Mr. Junaid Ahmed
World Bank

Mr. Reza Ali
Advisor, National Reconstruction Bureau, Islamabad, Pakistan

Open Discussion

13:30 hrs. Lunch Break

14:30 hrs. Working group discussion in split sessions

16:00 hrs. Closing Session: Presentation of Recommendations by working groups

Chief Guest: Mr. M. Saifur Rahman MP
Hon'ble Minister for Finance and Planning

Special Guests: Mr. Ziaul Haque Zia MP
Hon'ble State Minister, Ministry of LGRD & Cooperatives

Advocate Ruhul Quddus Talukder (Dulu) MP
Hon'ble Deputy Minister, Ministry of LGRD & Cooperatives

Chairperson: Mr. Zakir Ahmed Khan
Secretary, Finance Division

17:00 hrs. Refreshments