

BANGLADESH

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: BANGLADESHI TAKA (BDT)

POPULATION AND GEOGRAPHY

Area: 147 630 km²
Population: 164.670 million inhabitants (2017), an increase of 1.2% per year (2010-2015)
Density: 1 115.4 inhabitants / km²
Urban population: 35.9% of national population (2017)
Urban population growth: 3.2% (2017)
Capital city: Dhaka (11.9% of national population)

ECONOMIC DATA

GDP: 637.1 billion (current PPP international dollars), i.e. 3 869 dollars per inhabitant (2017)
Real GDP growth: 7.3% (2017 vs 2016)
Unemployment rate: 4.4% (2017)
Foreign direct investment, net inflows (FDI): 2 151 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 30.5% of GDP (2017)
HDI: 0.608 (medium), rank 136 (2017)
Poverty rate: 14.8% (2016)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The People's Republic of Bangladesh is a unitary and democratic republic with a unicameral parliament. The Parliament comprises 300 members directly elected by universal suffrage. The President is the Head of State and he is indirectly elected by members of the Parliament for a maximum of two five-year terms. The leader of the majority party is appointed by the President as Prime Minister and Head of Government. While the political and administrative leadership is vested in the national government, democratically elected sub-national bodies perform delegated functions at the district, sub-district, unions of villages, city and municipal levels.

The legal basis and responsibilities of local government in Bangladesh are incorporated in the 1972 Constitution. According to Article 59 of the Constitution, local government bodies at all levels of administration shall be established. At present, there are two distinct types of local government bodies in Bangladesh: rural and urban local government, which have the same functions. The rural local government has three tiers, districts (*Zila Parishad*), sub-districts (*Upazilla Parishad*) and union of villages (*Union Parishad*), while the urban local government is divided into city corporations and municipalities (*Pourashavas*). In addition, there are also hill district *parishads* at rural level. The municipality and city corporation are headed by a mayor and councillors who are directly elected every five years. At the rural level, the chairpersons and councillors of sub-districts and union of villages are also directly elected. The last local elections were held in 2016 to elect district councils for the first time in the country.

All of these local government bodies are constitutionally autonomous and not hierarchical. In parallel with this subnational government system, the central administration has deconcentrated government units, namely the Divisional Administration at the same level as city corporations, the District Administration at the same level as districts, and Upazilla Administration at the same level as sub-districts.

The Government of Bangladesh established a comprehensive legal framework for union of villages (2009) and sub-districts (2011). In addition, there is a number of supplementary Acts and Rules regulating the different tiers of the local government system in Bangladesh. The local government division within the Ministry of Local Government, Rural Development and Cooperatives is in charge of developing and implementing legislation regulating subnational government, with the exception of the Hill District Local Government, which is administered by the Ministry of Hill Tract Affairs.

TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	4 553 Union of villages (<i>Union Parishad</i>) 11 City Corporations 324 Municipality (<i>Pourashava</i>)	Sub-districts (<i>Upazila Parishads</i>)	Districts (<i>Zila Parishads</i>)	
	Average municipal size: 30 625 inhabitants			
	5 377	489	64	5 441

OVERALL DESCRIPTION. Administratively, the central government is territorially divided into eight administrative divisions which are further subdivided into 64 districts (*Zila Parishads*). In rural areas, districts are further organized into 489 sub-district councils (*Upazila Parishads*). There are about 4 553 union councils (*Union Parishads*) further sub-divided into wards. Urban areas have two alternative structures: city corporations in the eleven largest cities and 324 municipalities (*Pourashavas*) in the rest of the country that are further sub-divided into wards. The ward members/commissioners are elected by their respective constituencies.

While the overall structure of the country has been stable, recent changes in the territorial organisation include the creation of a new division (*Mymensingh*), established in 2015, and the formation of new municipalities or expansion of municipalities by merging in adjoining wards from union of villages. The three districts in the Chittagong Hill Tracts are recognized as a special region, and local governments enjoy special powers, because the Hill Tracts are the only extensively hilly area in Bangladesh which is settled by indigenous peoples.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Local government bodies are responsible for administration and the work of public officers, the maintenance of public order, and the preparation and implementation of plans relating to public services and economic development (Article 59 of the Constitution). Although there is no hierarchy between the different subnational governments, in practice, most of the smaller local governments do not have the resources to perform their functions and therefore work as an extension of the central government. According to the relevant laws, the main responsibilities of subnational government include civil administration, fire protection, development and operation of markets, roads and infrastructure, traffic and urban transportation, local economic development, environmental protection, water supply, street lighting and land use planning.

The Second Schedule of the Local Government Municipal Act provides more than 64 functions assigned to municipalities depending on the availability of funds. These include: infrastructure development and implementation of urban development; developing plans for economic and social justice; transport management and construction of roads and other communication systems; development of markets and slaughterhouses; public health and environment conservation; social welfare, education and culture, and public safety among others.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONAL LEVEL (DISTRICT)	MUNICIPAL LEVEL (POURASHAVA)
1. General public services	Public buildings and facilities	Administrative services (marriage, birth, etc.) Public buildings and facilities
2. Public order and safety	Regional firefighting services	Municipal police, urban traffic signs
3. Economic affairs/transport	Regional roads, railways, airports and ports inter-city and regional railway transport, transports; Employment services; Support to local enterprises and entrepreneurship; Agriculture and rural development; regional Tourism	Local roads; Park spaces; Local ports; Urban transport; Local tourism
4. Environmental protection	Nature preservation; Soil and groundwater protection, climate protection; Sewerage	Parks & green areas; Waste management; Street cleaning
5. Housing and community amenities	Construction/renovation; Management	Construction/renovation; Distribution of drinking water; Public lighting; Urban and land use planning; Urbanism
6. Health	Hospitals	Primary healthcare (medical centres); Preventive healthcare
7. Recreation, culture & religion	Regional museums; Cultural heritage	Sports; Libraries; local museums
8. Education	Secondary and higher education	Pre-primary and primary education
9. Social protection	Care for the elderly; Disabled people (benefits and services)	Social care for children and youth; Support services for families

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: consolidated accounts for local government do not exist for Bangladesh. Information is highly fragmented and reporting standards varies from one level of local government to another.

Other

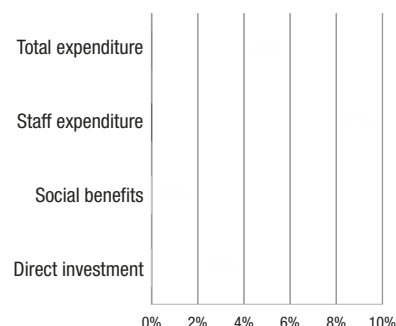
Availability of fiscal data:
Low

Quality/reliability of fiscal data :
Low

GENERAL INTRODUCTION. Article 60 of the Constitution of Bangladesh provides for the delegation of powers to local government bodies, including the power “to impose taxes for local purposes, to prepare their budgets, and to maintain funds”. Revenues for local governments come from both central grants and own source revenues. From central government, local governments receive, for example, block grant through the Annual Development Program (ADP), special grants for development projects, *Octroi* compensation grants, and salary subvention. While particular Local Government Acts provide the framework for own source revenue mobilization, the share of the annual budget that is available for fiscal transfers to local governments is left to the discretion of the central government.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure				
Incl. current expenditure				
Staff expenditure				
Intermediate consumption				
Social expenditure				
Subsidies and current transfers				
Financial charges				
Others				
Incl. capital expenditure				
Capital transfers				
Direct investment (or GFCF)				



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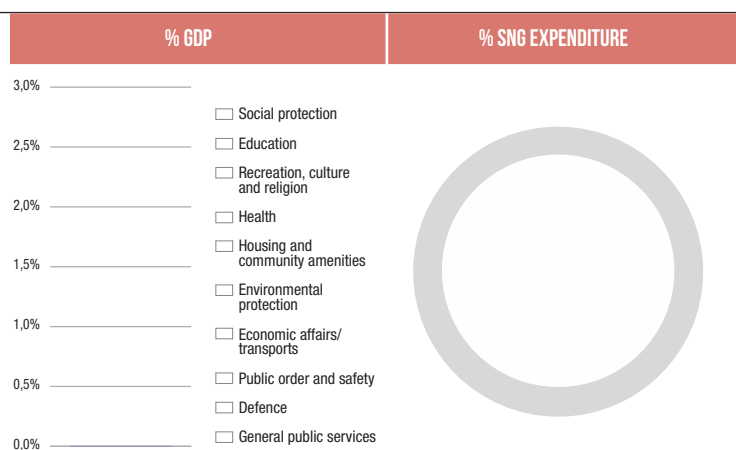
EXPENDITURE. Local government financial system remains highly centralized in Bangladesh. According to a 2013 study, subnational government expenditure as a percentage of GDP has rarely exceeded 3 per cent in Bangladesh. In FY 2016-17, total subnational government expenditure accounted for approximately 8.0% of total government expenditure (approx. BT 2 151 500 000, i.e. \$0.44 PPP per capita). Most local government expenditure is spent on staff salaries, contributions towards the cost of holding local elections and such other matters as may be specified by the central government.

Urban and rural governments have a significant difference in the amount of expenditure. In FY 2006/2007, municipalities and city corporations accounted for nearly 70% of sub-national government expenditure while they only represented about 28% of the total population. In contrast, Union Parishads accounted for about 20% of total local government expenditure.

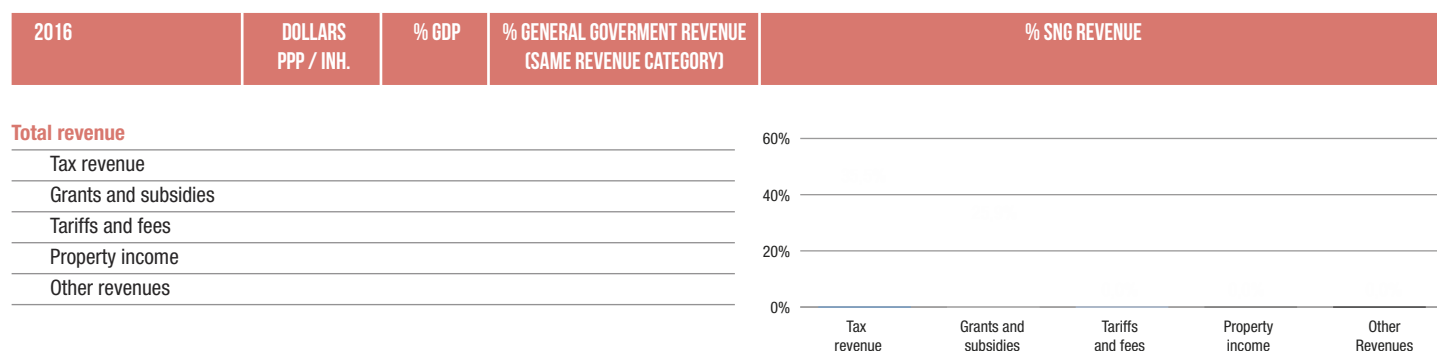
DIRECT INVESTMENT. No data available.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

Based on the subnational responsibilities listed above and data from previous years, local expenditures mainly concern physical infrastructure (around 30-40% of total subnational government expenditures) public health (15-20%) and administrative expenditure (on average between 7-16%). Subnational government expenditures in the social sectors are minimal.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



OVERALL DESCRIPTION. Local governments are required to have a single fund known as the municipality fund into which revenue streams must be credited. All local governments have the power to levy taxes and rates. LG's main revenue include taxes, rates, tolls, fees, and other charges; rents and profits from property; grants made by the central government and other authorities; profits from investments; donations and transfers of private or public funds.

While own source revenue potential varies vertically and horizontally, on average less than 2% of total government revenue is collected at sub-national levels, which is among the lowest rates in the world. Local governments generate very little of their own revenue, especially compared to their counterparts in other low-GDP countries.

The largest share of city corporations' revenue come from donor-supported projects, followed by funding through block grants and support of government projects constituting between 50%-60% in 2007/08. Municipalities depend largely on project specific funding followed by general block grants.

TAX REVENUE. Most tax bases are under the control of the central government. There has been an informal effort to raise new local taxes, which are used to improve local services. For example, there is some evidence that informal taxes raised by the Unit Office are contributing to improve refuse collection services, but they also raise complaints about their imposed nature and the steep increase in costs.

Local tax management and collection in Bangladesh is weak due to a poor assessment system, lack of efficient manpower and legal issues as well as corruption.

GRANTS AND SUBSIDIES. Bangladesh's local governments are highly dependent on central government's grants and subsidies (largely funded from development aid), but their amount is very limited. Overall, the share of resource transfer for Local Government Institutions (LGIs) as a proportion of Local Government Division's budget had declined from 17.57% in FY2013-14 to 13.66% in FY2016-17. However, there are frequent fluctuations in direct transfer of funds from the national government to LGIs both in terms of amount and rate.

The main flows of funds from the government to city corporations come from the Local Government Division and other ministries, divisions and agencies.. The government allocates development funds to city corporations through "block allocation for development assistance to city corporations". There is also discretionary fund called a "special grant" from the government, the amount of which is determined by special and political considerations, according to city corporation officials and elected representatives. City corporations also get a portion of land transfer taxes within their perimeter as defined by their respective laws. However, the share of land transfer taxes varies largely because of the amount and ratio of direct transfer from the government. Additionally, large city corporations – Dhaka North and Narayanganj – have demonstrated their ability to finance development projects through public private partnerships or foreign sources.

OTHER REVENUES. No information available.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	4	0.1%	0.3%	100%
Financial debt*				

* Currency and deposits, loans and bonds

FISCAL RULES. No information available.

DEBT. No information available.



Lead responsible: UNCDF
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Socio-economic indicators: OECD // World Bank // UNDP // UN Desa // ILO.

Fiscal data: Annual Financial Statements of Bangladesh 2016-2017 & 2017-2018

Other sources of information: Commonwealth Local Government Forum (2018). Country Profile 2017-18 Bangladesh // Lewis, H (2017) Revisiting the Local Power Structure in Bangladesh: Economic Gain, Political Pain? // IMF Country Publication (2017) Bangladesh, Staff Report for the 2017 Article IV Consultation – Debt Sustainability Analysis // Ahmed T. (2016) Bangladesh Reform Agenda for Local Governance // Government of Bangladesh Annual Report of Local Government Division 2014-2015 // Rafiqul M., Talukdar I. (2015) Local Governance in Bangladesh: Policy and Strategy Framework, Dhaka Commonwealth Journal of Local Governance // Faguet (2015) Transformation from Below in Bolivia and Bangladesh: Decentralization, Local Governance, and Systemic Change // Salehuddin A (2014) Public Finance and Urban Development in Bangladesh, Bangladesh Economists' Forum // Bhattacharya D. and al. (2013) Finance for Local Government in Bangladesh.