



A Comprehensive Study Report on
Strengthening Local Government Institutions (UP) Through
Resource Mobilization.

My Village- My Town Technical Assistance Project
Local Government Engineering Department
Local Government Division
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Minister
Ministry of Local Government,
Rural Development and Co-operative

Draft Message

The Government of Bangladesh has committed to implement the Special Commitment ‘My Village - My Town’ to achieve the goals and targets envisioned in the “Vision 2041.” Moreover, our continuous achievements are quite visible in most of the development activities under the division including empowering people through strengthening local government institutions (LGIs).

However, challenges remain to be addressed. Critically, resource mobilization in all LGIs, needs to be better managed for maximizing value for money and providing an enabling environment for extending urban public services to the rural areas. Our government fully recognizes its importance and has made a commitment in the 8FYP to strengthen UPs and broadening local resource through the use of various mechanisms of mobilizing financial resources for expansion of public services.

In this context, I am pleased to know that My Village - My Town Technical Assistance Project has been able to conduct a comprehensive study entitled ‘Strengthening Local Government Institutions (UP) through Resource Mobilization’ and based on the results developed policy guidelines which will eventually improve the current resource mobilization system in Bangladesh.

I expect that the proper practice of the recommendations and resource mobilization tools will strengthen capacity of service delivery and governance, thereby achieving the set national goals and targets in a more efficient, effective, and timely manner. Furthermore, I am glad to know that this new policy recommendation will be thoroughly tested and validated in 15 pilot villages and in due course, these will be rolled out to other rural LGIs (UP) in Bangladesh.

I would like to take the opportunity to congratulate the Project Adviser, Project Director and Consultants who have successfully completed the comprehensive study with team spirit and profound enthusiasm. Finally, I would like to express my heartfelt appreciation to the officials of LGD, Chief Engineer LGED, and the public functionaries of selected LGIs for their esteem guidance and support extended since inception of the projects.

(Md Tazul Islam, MP)





Secretary
Local Government Division,
Ministry of Local Government, Rural
Development and Co-operative

Draft Message

The special commitment of election manifesto 2018, My Village - My Town envisages empowering people through strengthening rural local government institutions. Among other issues My Village – My Town Technical Assistance Project is seeking to enhance the resource mobilization capacity of UPs because of insufficient resource mobilization, the UPs depend on the government to continue development initiatives and social programs within their territory.

The Project has been conducted a comprehensive study and crucially developed policy guidelines in order to promote public investment, instilling new mechanism of resource mobilization and to provide urban public services aligned with national development policies and fiscal frameworks.

The policy guidelines and study report will provide a comprehensive outlook on the challenges of UPs for generating revenues from within and their solutions; possibilities of broadening resources and the use of various mechanisms for mobilizing financial resources for expansion of public services and their solutions; identifying innovative governance mechanisms of mobilization of resources to ensure the efficient and discrimination-free provision of public services in rural areas. The guidelines will also support the translation of Sustainable Development Goals (SDGs), national goals and priorities outlined in the 8FYP into Sectoral objectives and strategies. Crucially, the report and guidelines will establish a strategic link between the LGD and budgeting at the local level

As such, the LGD has taken the lead to implement the recommendation and prescribed resource mobilization mechanism of the study in the selected 15 pilot villages under proposed project. For achieving the desired benefits of the RM tools, it is necessary to start practicing them in other UPs also. It is also the hope of the technical assistance project that other LGIs will take the lead on practicing the options of capacity enhancement initiatives.

The NCC for implementing approved the guidelines developed by the technical assistance project for adoption and use within the pilot villages. I strongly believe that the suggested policy approaches will facilitate and improve the existing capacity of resource mobilization in line with the strategic directions of the 8FYP. Suggested Capacity development initiative will bring about qualitative change in the whole process of modern urban public service to the rural areas and also to achieve the mandated functions of the rural LGIs.

I would like to thank all of you who robustly work to accomplish the study.

(Muhammad Ibrahim)





Chief Engineer
Local Government Engineering
Department

Draft Message

It is my pleasure to put forward a set of new mechanisms of resource mobilization to strengthen UPs urban public services delivery to rural areas Bangladesh as deliverables of a comprehensive study entitled ' Strengthening Local Government Institutions (UP) through Resource Mobilization'' conducted under the MY- Village My- town technical assistance project.

The comprehensive study includes examining UPs' existing processes, procedures and problems of resource mobilization and developing the guidelines for strengthening the capacity of the UPs to mobilize resources from local. My special thanks go to the project team for their excellent leadership and the initiative to engage a broad range of stakeholders in the process of developing the report and guidelines.

I hope the Policy guidelines and study report will contribute significantly to open the doors of major LGIs governance reform Strategy led by the LGD, and Planning Commission, Ministry of Planning. Both reforms will require close collaboration between the two central ministries that are tasked to manage the national budget of the government. I am very pleased that the report and guidelines have been developed through close collaboration with the selected rural LGIs.

Second, I am also delighted that the LGED in selecting 15 pilot villages have played an instrumental role under the TA Project. The findings of the study will be further replicated through piloting in the selected pilot villages under an investment project.

I would like to thank all the team members who have given efforts in the study and who participated in various seminars, workshops and consultation meetings and provided extremely useful feedback and comments to validate the report.

Last, but not least, I would like to thank the officials of LGD, for their support and cooperation for the project. I believe and do hope that LGEDs partnership and cooperation will make even stronger progress for implementing " My village- My- Town" special undertakings.

(SK. Md. Mohsin)



Abbreviations and Acronyms

ACE	Additional Chief Engineer
ADB	Asian Development Bank
ADP	Annual Development Program
APR	Annual Performance Report
BARD	Bangladesh Academy for Rural Development
BBG	Basic Block Grant
BCS	Bangladesh Civil Service
BD	Basic Design
BDT	Bangladeshi Taka
BOG	Board of Governors
BRDB	Bangladesh Rural Development Board
CD	Capacity Development
CHT	Chittagong Hill Tracts
CSO	Community Service Organization
DC	Deputy Commissioner
DDCCM	District Development Coordination Committee Meeting
DDLG	Deputy Director, Local Government
DG	Director General
DPD	Deputy Project Director
DPHE	Department of Public Health Engineering
DPM	Direct Procurement Method
DPP	Development Project Proposal/Development Project Proforma
ECNEC	Executive Committee of the National Economic Council
EFYP	Eighth Five Year Plan
EIA	Environmental Impact Assessment
EOI	Expression of Interest
ERD	Economic Relations Division
ETP	Effluent Treatment Plant
EU	European Union
FAPAD	Foreign-Aided Projects Audit Directorate
FFW	Food for Work



FM	Financial Management
FS	Feasibility Study
FY	Fiscal Year
GC	Gram Committee
GC	Growth Center
GoB	Government of Bangladesh
HOPE	Head of Procuring Entity
HQs	Headquarters
HRD	Human Resource Development
iBAS	Integrated Budget and Accounting System
IMED	Implementation Monitoring and Evaluation Division
IPS	Improving Public Services
JICA	Japan International Cooperation Agency
LGD	Local Government Division
LGED	Local Government Engineering Department
LGI	Local Government Institution
LGSP	Local Governance Support Project
LGSP2	Local Governance Support Project Phase 2
LGU	Local Government Unit
LIC	Learning and Innovation Component
MIS	Management Information System
MLGRD&C	Ministry of Local Government, Rural Development and Cooperatives
MLSS	Member of Lower Subordinate Staff
MOF	Ministry of Finance
MoL	Ministry of Land
MoPA	Ministry of Public Administration
MOU	Memorandum of Understanding
MP	Member of the Parliament
MTBF	Medium Term Budgetary Framework
NBD	Nation Building Department
NGO	Non-Governmental Organization
NICAR	National Implementation Committee for Administrative Reorganization- Reforms



NILG	National Institute of Local Government
O&M	Operation and Maintenance
ODA	Official Development Assistance
OJT	On-the-job Training
OP	Operational Policy
OTM	Open Tendering Method
PBA	Performance Based Allocation
PBG	Performance Based Grant
PBGS	Performance Based Grant System
PC	Planning Commission
PD	Project Director
PEC	Proposal Evaluation Committee
PER	Preliminary Environmental Review
PIC	Project Implementation Committee
PRSP	Poverty Reduction Strategy Paper
PSC	Project Selection Committee
RDCD	Rural Development and Cooperatives Division
SLGDP	Sirajganj Local Government Development Project
SOE	Statement of Expenditure
SSC	Scheme Supervision Committee
TA	Technical Assistance
TA&DA	Travelling Allowance and Daily Allowance
TEC	Tender Evaluation Committee
TOR	Terms of Reference
ToT	Training of Trainers
TQM	Total Quality Management
UAO	Upazila Accounts Officer
UAO	Upazila Agriculture Officer
UCC	Union Coordination Committee
UCCM	Union Coordination Committee Meeting
UDCC	Union Development Coordination Committee
UDF	Upazila Development Facilitator



UDO	Union Development Officer
UGDP	Upazila Governance and Development Project
UGIAP	Urban Governance Improvement Action Program
UGIIP	Urban Governance and Infrastructure Improvement Project
UNO	Upazila Nirbahi Officer
UP	Union Parishad
UPGP	Union Parishad Governance Project
UPIO	Upazila Project Implementation Officer
UPP	Upazila Project Format
URDO	Upazila Rural Development Officer
URT	Upazila Resource Team
USSO	Upazila Social Service Officer
UWAO	Upazila Women Affairs Officer
UZDF	Upazila Development Fund
UZGP	Upazila Governance Project
UZP	Upazila Parishad
VAT	Value Added Tax
WASA	Water and Sewage Authority
WATSAN	Water Supply and Sanitation Committees
WB	World Bank
WC	Ward Committee
WDF	Women's Development Forum



Executive Summary

There are two sets of local government in Bangladesh: urban local government and rural local government, both of which have a glorious history of serving people with various services delegated to them by the government. Of the three tiers of rural local government, UPs have the potential to play an essential role in meeting the needs of villages by providing a range of services and being a crucial element of their development as this is the only tier which does not only stay very close to people and serve them directly but also has never lost its image of being run by the non-elected representatives. However, one of the main obstacles for UPs to serving people and carrying out developmental and welfare activities at the local level is the lack of adequate resources at their disposal—resource inadequacy results from mobilizing the low level of resources from their own sources.

Keeping the vision 2041 in mind, the Awami League government under the Honorable Prime Minister-Sheikh Hasina- has emphasized the extension of modern amenities available in towns into villages. One of the commitment of the ruling Awami League in the 2018 Election Manifesto was 'My Village-My Town,' which was intended to extend modern civic entitlements in every village as the party always considered villages as their central philosophy for development and prosperity in line with Article 16 of the Constitution (as incorporated by Father of the Nation Bangabandhu Sheikh Mujibur Rahman) that the State shall adopt effective measures to ensure the welfare of the people. To implement the proposal, AL pledged in its electoral manifesto.

For conducting a number of feasibility/ reviewing study on such transformation, the government has already launched a technical assistance project entitled 'My Village My Town', in order to explore and address the challenges for implementing the commitment = which is being conducted eight thematic areas. For such transformation to happen and maintain, the capacity of the UPs to mobilize resources from their sources, however, needs to be strengthened. The study, thus, was conducted with three broad objectives in mind: (a) finding out the challenges of UPs for generating revenues from within and their solutions; (b) knowing about the challenges and possibilities of broadening resources and the use of various mechanisms for mobilizing financial resources for expansion of public services and their solutions; and (c) identifying innovative governance mechanisms of mobilization of resources to ensure the efficient and discrimination-free provision of public services in rural areas.

To achieve these objectives, what was done in the study includes examining UPs' existing processes, procedures and problems of resource mobilization and developing the guidelines for strengthening the capacity of the UPs to mobilize resources from local sources. However, this study was empirically conducted using mixed-method approaches, including qualitative and quantitative. Interview and FGD methods were used to collect primary data, whereas various documents were reviewed for secondary data. Documents reviewed include the UP budget, the UP tax assessment and collection registries, journal articles, books, book chapters, UP manual, government circulars and so forth. Since this was a comparative study between piloting and non-piloting areas, 10 UPs with an equal representation of both study areas were selected randomly. Data were collected from 292 respondents of the different categories, including chairpersons, members (general and reserved), secretaries, account assistants cum computer operators and UDC entrepreneurs of UP; village police and community people. A set of structured questionnaires was developed and used to hold interviews, while FGDs that were 10 in number were held using FGD protocols.

The study has come up with several findings. The first set of findings, as data obtained on the



current financial status of both GU and PU indicate, is that 99% of funds of PUs in the format of development funds come from the central government, whereas 96.47% for GUs suggests that there is no significant difference in terms of development funds. The remaining portion (1% of PUs and 3.53% of GUs) is derived from their own source of income, meaning that the contribution of the income generated from their own source of revenue to carry out their assigned functions is minimal. However, the factors that are contributory to the low level of income generated from own source include an inability to deal with the existing legal, financial, and institutional structures; complex block transfer system; lack of strong motivation to collect taxes; unfair method of tax allocations; inability to determine the appropriate level of taxation, and laxity in the application of laws for the collection of overdue taxes; cheating attitude of the wealthiest section of people; lack of knowledge about the sources of local resources; and lack of control, punishment, and accountability of tax administration system.

The second set of findings indicates that the PUs and GUs have demonstrated almost similar performance in maintaining the same equilibrium level between income and expenditure ratio. On the other hand, there has been found a common trend of increasing income (revenue collection) in varying degrees in selected 09 UPs, out of 10, when income distribution of both the PUs and GUs between the fiscal years 2019-20 and 2020-21 is concerned. The UP, whose income decreased (to be more precisely by 50.87 per cent), belongs to a non-piloting area. Moreover, findings also reveal that income for development funds is always more than that of income for self-fund in both the PUs and GUs on the calculation of both per household income and per-capita income.

The third set of findings unfolds that money is spent for various purposes differing from GUs to PUs alongside having some standard list of expense items. However, the GUs and PUs spend a considerable amount of their income on purposes related to establishing costs, as the trend of expenditures indicates. As a whole, the general spending pattern of GUs, in contrast to that of PUs, is more fulfilling. On the other hand, it was found that except for one general union, the remaining 09 unions spent more money in the fiscal year of 2019-20 compared to the fiscal year of 2020-21, while the trend of expenditure between 2019-20 and 2020-21 fiscal years was sought. Additionally, general funds were spent more than special funds during the fiscal year of 2020-21 compared to the previous fiscal year of 2019-20.

The fourth set of findings indicates that people have a different level of satisfaction with activities that generate revenue for the UPs. It was noticed that 93.75 per cent and 87.5 per cent of the respondents were satisfied with the fees charged for the registrations of land and other matters and birth registration, respectively. In comparison, 100 per cent of the respondents expressed satisfaction with the fees for issuing trade licenses. Of those who were dissatisfied, 78.15 per cent and 62.5 per cent showed dissatisfaction with charges imposed on leasing of the market and wetland (Jalmohal), respectively. Nobody expressed satisfaction in charge of land transformation.

The fifth set of findings reveals that the UPs have the potential to increase their income from local sources, particularly taxes that can be imposed on—and collected from—local property and consumption. Still, their capacity for exploring opportunities is constrained, so this potential has not yet been fully realized due to several problems, including lack of coordination, non-cooperation from the general people, political pressure, and the absence of proper inspection.

Selected UPs are confronted with problems in mobilizing resources from their sources. However, although the UPs have begun undertaking initiatives to find ways to overcome bottlenecks that hinder



their performance in revenue collection, any progress has hardly yet been made in mobilizing resources from their sources. This means that the delivery of services gets hampered. The UPs face problems of two types: functional and institutional. Issues treated as functional problems are the existence of a vast disparity between demand and supply, an increasing trend of fiscal gap, lack of common characteristics, dependence on the central government, reluctance on the part of elected representatives, improper distribution of duties and resources, shortage of personnel and non-participatory decision making while institutional problems include lack of functional clarity and inadequate devolution of power for the delivery of services.

Additionally, this study has found some institutional variables that have immensely challenged the UPs to mobilize resources from their sources. Examples of those challenges are lack of proficiency of members in official positions and responsibilities, lack of accountability of elected officials, lack of motivation to engage in revenue mobilization on the part of UP officials, lack of infrastructural facilities and financial solvency, gender biases, minimal input of villagers in decision making, lack of role clarity among UP functionaries, little control of UZP on UP, lack of functional division between the member of parliament and local government member, lack of fiscal decentralization, and some other issues that include lack of land records, inaccurate property valuations, inaccurate tax assessments, a low tax rate, and ineffective tax administration.

The Study did, however, come up with a few recommendations to enhance the UP's ability to mobilize resources, which are included below:

First: A restructuring of resource mobilization strategy for LGIs is required so that local authorities may increase the scope of taxes over which they have authority to finance the expansion of contemporary civic facilities following specific obligations. The tax threshold must be raised for UP to provide these cutting-edge services. To do this, it is necessary to amend Section 65 of the Local Government (UP) Act, 2009. Also, the UP Model Tax-Schedule, 2013 must be streamlined following the Act of 2009.

Second: initiatives are needed to enhance the assessment system and bring property values up to date, which might lead to significant new avenues for revenue generation in the community.

Third: New charges might be implemented for modern amenities like daycares, museums, parks, and sports arenas, as well as utilities like water and sewerage, electricity, parking, garbage collection, and urban transportation and roads.

Fourth: To further bolster the resource base, the UP should be given the authority to solicit contributions from the business sector.

Fifth: The UP official needs further training in tax management. There's also a need for extra manpower to oversee the tax management properly.

Sixth: LGIs should make it a high priority to promote tax compliance. People and their elected leaders alike are now reluctant to pay taxes.

Seventh, all steps in generating revenue for the UP should be automated. To make the system more user-friendly, an app might be developed. Services should not be supplied to anybody who is not contributing to the government financially. There must be a significant push to use mobile banking for tax payments.



Eighth: Direct payments from the central government to LGIs have been less than 3% of ADP expenditure for several years. Central funding for LGIs thus needs reassessment. It is urgently required to immediately increase intergovernmental transfer and allocation, maybe up to 10% of total tax and non-tax revenue. As capacities expand and results are assessed, the proportion might rise gradually.

Ninth: To fund development without tapping into funds from other governments, UPs should be allowed to pool their tax bases with those of other governments.

Finally, public representatives need to hone their leadership skills.



1. Background

The Local Government Division (LGD) of the Ministry of Local Government, Rural Development, and Cooperatives have been working for implementing the commitment of the government "My Village, My Town : Expansion of modern urban service to the Villages. Following the work plan MY village- My town a technical assistance project is being implemented by the Local Government Engineering Department. Under the technical assistance project this comprehensive study has been conducted to strengthen local government institutions, mainly UPs, to carry out their mandated duties and implement other development initiatives that aim to serve better the people who live in rural areas. In addition, this article seeks to examine ways to lessen the Ups reliance on central funding transfers. The study report and policy recommendations also serve as a road map for identifying areas where interventions may be implemented to boost UPs' capacity and efficiency in resource mobilization, shedding light on the strengths and limitations of the systems already in place.

2. Introduction and General Overview of the Study

In the recent decade, Bangladesh has become a model for many countries worldwide. Bangladesh is often brought up as an example by world researchers and leaders offering advice to others on this subject. Over the last several decades, the government of Bangladesh has pushed for and implemented several economic restructurings and changes. Bangladesh has made enormous strides in the previous decade and achieved fantastic success across various economic and human resource metrics. Economic development, literacy, population control, internal resource mobilization, poverty reduction, per capita income, foreign currency reserves, electricity generation, infrastructure development (such as four- to six-lane highways), educational institution development (especially medical colleges and science and technology universities), and the most significant undertaking and implementation of mega projects such as Padma Bridge, Underwater Tunnel, Elevated Express High Way, Metrorail, Ruppur Nucaal Plant, Pyara Sea Port and the third terminal of Hazrat Shahajalal International Airport.

Bangladesh's government is also progressing toward another goal: transforming the country from a developing nation to a developed one. The Prime Minister of Bangladesh's government has also set the goal of being a developed nation by 4041. The government is implementing plans and initiatives to help the country become a developed nation by 4041. Overpopulation and a lack of natural resources mean that Bangladesh's government must constantly address many pressing issues. These include, but are not limited to, rapid urbanization (the increased movement of people from rural areas to urban centers) because of the lack of access to essential services in the countryside.

An alliance of political parties in power promised voters that rural areas would eventually have access to the same kinds of public services accessible in urban areas before the 2018 national election. The government, however, has devised massive policy initiatives to expand modern urban services to the rural areas through declaring My Village- My Town commitment In the eliction manifesto, 2018. To explore the challenges exists and institutional capacity of rural LGIs to implement the commitment, My- village - My town technical assistance project is being implemented. Under this project the government has selected 15 villages as pilot village around the country on a trial basis as the first step towards implementing this output of the technical assistance project. The knowledge gained from the pilot project should make it easier to provide contemporary public services to other rural communities. However, even if we could provide every community with the same high-quality infrastructure, that



still wouldn't guarantee timely and reliable service delivery. Therefore, building the skills of people who lead public service organizations is necessary. According to the existing study, a lack of resources is a significant contributor to the inability of service-providing organizations to effectively manage the provision of their services (Ahsan, 2022). For this reason, increasing the resources available to local service-providing organizations is essential. The only way to do this is to pool resources inside the area. So, we need to know (a) how and to what degree UP mobilizes its resources from local sources and (b) what challenges UP confronts. (c) What would strategic policy recommendations help mobilize resources from local sources to bolster the UPs' ability to get things done?

3. Statement of the Problem:

The UPs are the closest level of government to the common folk. One of the many things that UPs in Bangladesh have been doing for a long time is providing essential frontline services. Since the 1980s (World Bank, 2001), individuals and governments have been driving a gradual functional development of LGIs, notably UP in Bangladesh, due to the significance of LGIs in intimately serving people (Charnley & Engelbert, 2005). Evidence reveals that residents see public services as over-centralized, unaccountable, inefficient, over-paid, coercive, unethical, and rent-seeking, despite the UPs' efforts to enhance citizens' quality of life by meeting local needs within restricted resources (Zafarullah et al., 1997; Walters, 2018; PARC, 2000; Knox, 2009; & Ahsan, Walters & Khan, 2021). All these factors have combined to discourage the UPs from launching and maintaining their well-crafted plans for community improvement.

Financing is a significant problem for LGIs especially UPs and is perhaps the most complicated part of their operation. The financing methods for UPs are regulated by legislation. Money for the UPs comes in from many different places and is deposited into a Parishad account. Funds for UP, however, may be deposited into that account in several ways:

1. Grants and sanctions given by the government and other authorities;
2. Income from all local sources determined by the government under the Local Government (UP) Act of 2009;
3. Grants and sanctions given by other Parishads or local authorities;
4. Loan permitted by the government if any;
5. Levied of money by Parishad as taxes, rates, toll, fees, and charges received under other demand in areas concerned;
6. All income and benefits generated from school, hospital, dispensary, building, enterprise and public works, which are entrusted with and constructed and controlled or run by Parishad;
7. Money received from any trust as a gift or donation;
8. Money received as fines or financial sanctions under the provision of the Local Government (UP) Act of 2009;
9. All other money received by Parishad.

The levied of money by Parishad as taxes, rates, tolls, fees, and charges obtained under other demands in regions involved is UP's primary source of revenue. But data shows that the UPs' heavy reliance on



central funding devastates their budgets (Faizullah, 1987). According to official figures, the UPs continue to rely on central funds for around 57% of their budgets (GOB, 2007). However, UPs have the potential to play an essential role in meeting the needs of villages by providing a range of services and being a crucial element of their development. However, a significant obstacle to carrying out local developmental and welfare activities is the low level of resources mobilized from their sources (Russel, Nakama and Solaiman, 2015:7). Because of this, many people have voiced their concern that UPs just don't have enough money to keep up with the expectations of the communities, much alone make the necessary investments to satisfy those requests. Therefore, it has been crucial to increasing the revenue of UPs by tapping into their resources.

As was said, the 'My Village- My Town' initiative serves as a program to transform rural areas into urban centers as Bangladesh works toward achieving vision 2041. However, the program implementation goal would be difficult to reach without strengthening the UP's ability to mobilize resources. However, producing funding from its sources is especially important given UP's position as the government's closest service entity in reaching the implementation aim of the "My Village My Town" initiative. GoB has taken steps to streamline UP's revenue management and resources to give the UP full fiscal and policymaking independence in light of this hard reality. The National Rural Development Policy (NRDP), the Eighth Five-Year Plan, and the Perspective Plan for 2041 all highlight the need to enhance UPs' capabilities via resource mobilization as vital for development.

To achieve the goals of especial commitment of strengthening UPs through empowering people and attain other government objectives, the TA project commissioned study to investigate the causes of UPs' persistently poor revenue performance and devise strategies for bolstering UPs' capacities through resource mobilizations. Furthermore, this research has national and local importance in maximizing municipal income, fostering innovation, reducing the load on the federal government, and fostering economic growth. Given the changes in policy and resource mobilization processes for bringing urban services to rural regions in Bangladesh, and the fact that no other empirical study on the project mentioned above has been done to date, the results of this study should be lauded in their current context.

4. Objectives of the study

The study's main objective was to develop the policy guidelines by identifying the capacity and processes needed for the UPs to use various mechanisms effectively for mobilizing resources and boarding resource bases for expanding public services. However, the main objectives of this study can be grouped into two sections: broad and specific objectives.

4.1 Broad Objectives

The study was conducted around four themes, which are considered its broad objectives:

- (a) Finding out the challenges of UPs for generating revenues from within and their solutions;
- (b) Knowing about the challenges and possibilities of broadening resources and the use of various mechanisms for mobilizing financial resources for expansion of modern urban public services and their solutions;
- (c) Identifying innovative governance mechanisms of resource mobilization to ensure the efficient and discrimination-free provision of modern urban public services in rural areas.



4.2. Specific Objectives

1. To examine UP's existing process, procedures and problems of resource mobilization.
2. To develop strategic policy guidelines aiming to strengthen the capacity of UPs through resource mobilization.

5. Methodology of the Study

The results presented in this paper were **gleaned** from empirical data collected using a mixed methodology, which integrated both qualitative and quantitative approaches. This report was written using a methodology known as "data triangulation," which combines primary and secondary data collecting with a crowd sourced process of validating the data. Interviews and focus group discussions (FGDs) were used to gather primary data from the study's participants. Gathered the secondary data needed by combing through various sources, such as the UP budget, the UP tax assessment and collection registries, academic journals, and books/chapters.

5.1. Selection of Study Areas

Since this was a comparison of UPs in piloting and non-piloting regions, random samples of 10 UPs were drawn from each category. Five UPs were chosen from non-piloting locations across geographic regions and socioeconomic backgrounds to serve as a representative sample of all UPs. The remaining five were picked from locations where the "My Village - My Town" pilot village program will be implemented. Concerned Deputy Director Local Government (DDLG) and Upazila Nirbahi Officers (UNO) were contacted when choosing UPs from non-piloting districts. Because all UPs are charged with equal responsibilities and revenue-generating potential, the principal Investigator believe that the UPs they chose for their study are consistent with the study's goals and with the larger regulatory framework (Huberman, 1984). Embedded in the inspection report at the local government division are other selection criteria such as documentation of revenue records, participation of people at WS and OBM, allocation of public services to people by sector, allocation based on gender, intergovernmental fiscal transfer, and allocation of budgetary resources from various sources. The potential for local resource development is further influenced by isolation, climatic sensitivity, peri-urban features, and the availability of preexisting resources. The table-1 & 2 in annex-1 briefly summarize the list of UPs chosen from piloting and non-piloting regions.

5.2 Selection of the Respondents

350 respondents were sought to gather information relevant to the study's objectives. This sample included elected leaders such as UP chairpersons and members of both the general and reserved seats, UP secretaries, village policymakers, and community members. A total of 292 people were polled through the survey or focus group interviews on acquiring the empirical data. Structured survey questionnaires were developed and used to interview participants, and ten focus group discussions (FGDs) were held using established protocols. The methods used to choose the respondents are detailed in the table below-3 in Annex-1.

6. Conceptualizing Key Concepts Used

6.1. Understanding of Local Government

An area's local government is the branch of government that oversees its constituent communities,



which might be a collection of villages or a cluster of suburbs. Local Government Institutions (henceforth LGIs) are the closest to people everywhere and provide essential services on a local level. One of LG's many enduring legacies is providing a wide range of services. LG did not suddenly become popular everywhere around the globe at that exact moment. That's not to say that Bangladesh is an exception. What follows is some background on how the structure of local government in Bangladesh has developed through time.

6.1.1. History and the Current Structure of Local Government: A Journey from the British to Bangladesh

Bangladesh is a unitary country consisting of two levels of government: central government and local government. Bangladesh was ruled by the British and the Pakistanis for almost 200 years. Hence the country's local government is a hybrid of the systems of both countries. A formalized local government system was initially established by the British during their dominance in the Indian Subcontinent; hence examining the local government system in Bangladesh is preceded by a brief overview of its history.

6.1.1.1. Local Government in the British Period

British India made significant efforts to develop local government institutions with the passage of legislation like the Village Choukidari Act of 1870, the Bengal Local Self Government Act of 1885, and the Bengal Village Self Government Act of 1919. On the other hand, the British did not invent the system of local government used in the Indian Subcontinent. As a result, the British invented it through trial and error to meet their colonial needs. The Village Chaukidari Act of 1870 was enacted by the British to establish the Chaukirady Panchayet system as a local institution at the village level. The Bengal Local Self-Government Act of 1885 came into effect 15 years after the Chaukidari act, instituting a three-tiered local government system for rural areas consisting of a District Board at the district level, a Local Board at the sub-district level, and a Union Committee at the village level. However, by 1919, the British government had approved the Bengal Village Self-Government Act, which established the Union Board instead of the Chaukirady Panchayet and the Union Committee.

6.1.1.2. Local Government in Pakistan Period

Up to the promulgation of the Basic Democracy Order (BDO) in 1959, rural local government in Pakistan had the same structure and organization as it had under British India. Local administration in both rural and urban regions was expanded under BDO. Union Council, Thana Council, District Council, and Divisional Council were the four layers of rural local administration under BDO. Before Bangladesh declared its independence from Pakistan in 1971, rural areas continued to be governed similarly.

6.1.1.3. Local Government in Bangladesh Period

Many modifications have been made to the rural local government structure and organization that Bangladesh inherited from Pakistan. President's Order No. 7 of 1972 was the first significant overhaul of the subnational government structure. This edict renamed and dissolved all levels of rural local government except the Divisional Council. The Union Council, Thana Council, and District Council all kept their traditional names but are now known as the Union Panchayet, Thana Development Committee, and Zila Board. Meanwhile, Divisional Council was formally disbanded. By Presidential decree No. 22 of 1973, the term "Union Panchayat" (UP) was changed to reflect the fact that each



union now had three separate "wards," and that each UP had 11 members, including a chairman and vice-chairman chosen by the voters of the union. From each of the nine wards, three representatives were chosen (Siddiqui, 1984: 57). In 1976, the government promulgated a local government ordinance 1976 through which three tiers of local government, namely UP, Thana Parishad and Zila Parishad, were introduced (Rahman and Sarkar, 1997: 52).

Until 1998, there had been several changes in the form and organization of local government. In contrast, the current local government structure in rural Bangladesh consists of three tiers: the Union Parishad (UP) at the village level, the Upazila Parishad (UZP) at the sub-district level, and the Zila Parishad (ZP) at the district level. City Corporations and Pourashavas or Municipalities are the two levels of urban local government in Bangladesh and the rural local government. And in addition to the mandated LGIs, there is an additional local government structure in place for the three Hill Tracts Districts of the Chittagong Division (Bandarban, Rangamati, and Khagrachari districts).

6.1.1.4. The Legal and Constitutional Framework of Local Government: A Focus on Union Parishad

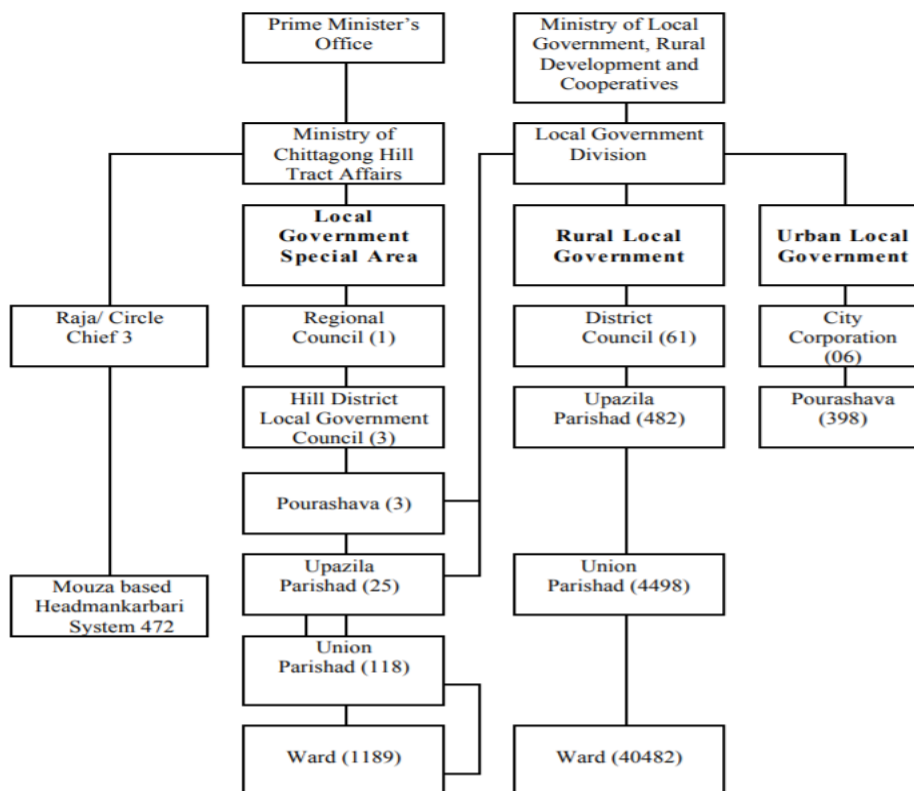
The Constitution of Bangladesh provides the legal basis for creating the UP. According to article 59 (i), "local government in every administrative unit of the Republic shall be entrusted to bodies composed of persons elected following the law; (ii) "every local body such as is referred to in Clause; (iii) shall, subject to this Constitution and any other law, perform within the appropriate administrative unit, such functions shall be prescribed by Act of Parliament, which may include functions relating to (a) administration and the work of public officers, (b) the maintenance of public orders and (c) the preparation and implementation of plans relating to public interests and economic development". Article 60 states "for the purpose of giving full effect to the provision of Article 59, Parliament shall by law, confer powers on the local government bodies referred to in that Article, including powers to imposes taxes for local purposes, to prepare budgets and maintain funds." The UPs are mainly governed by the Local Government (Union Parishad) Act of 2009. Besides, some other acts, rules, and regulations also effectively guide the UPs in their different functions.¹ The structure and organization of local government in Bangladesh are shown in Figure 01.

Figure-1

¹ [Birth & Death Registration \(Amendment\) Act, 2013](#); [Birth & Death Registration Act, 2004](#); [Village Court \(Amendment\) Act, 2016](#); [Village Court \(Amendment\) Act, 2013](#); [Village Court Act, 2006](#); [Local Government \(Union Parishad\) \(Amendment\) Act, 2015](#); [Local Government \(Union Parishad\) \(Amendment\) Act, 2010](#); [Local Government \(Union Parishad\) Act, 2009](#); [Union Parishad \(Development Plan, Control, Implementation\) Rules, 2013](#); [Union Parishad \(Accounts & Audits\) Rules, 2012](#); [Union Parishad \(Assets\) Rules 2012](#); [Union Parishad Model Tax Schedule, 2013](#); [Union Parishad \(Budget Preparation and Approval\) Rules, 2016](#); [Public Procurement Act, 2006](#); [Union Parishad Sample Regulation, 2016](#); [Union Parishad \(Chairman & Members' Powers and Functions\) Rules, 2016](#); [Union Parishad \(Powers and Functions of the Female Members of the Reserved Seats\) Rules, 2016](#); [Union Parishad \(Appointments and Service Conditions of Councils Official and Staff\) Rules 2011](#); [Local Government \(Union Parishad\) Formation, Training, Discipline and Service Conditions of Village Police Rules, 2015](#); [Birth & Death Registration \(Union Parishad\) Rules, 2006](#); [Village Court Rules, 2016](#); [Union Parishad Rules of Business, 2012](#); [Union Parishad \(Contract Signing on Behalf of Council\) Rules 2012](#); [Union Parishad \(Appeal Submission Against the Order of Councils\) Rules, 2016](#)



Existing Structure of the Urban-Local Government in Bangladesh



6.1.1.4. Union Parishad as a Unit of Rural Local Government Institutions

The Union Parishad (UP) is the most basic and likely oldest form of local government in Bangladesh, providing direct services to rural residents. There are 4571 UPs, with an average of 27,000 people and 30 square kilometers of land area each UP. However, according to the 2001 Population and Housing Census, a UP retains power over 20 villages (Ahsan, 2012). There is just one other level of government (RLGS) that regularly delivers critical frontline services: UP. Since the 1980s, several formerly centrally administered duties have been transferred to lower levels of government (World Bank, 2001). The public has benefited dramatically from LG's functional development, notably in the area of UP. These advantages include but are not limited to increased access to services and competitive advantages that lower service prices without compromising quality.

6.1.1.4.1. Existing Institutional Framework of UPs

Each union has nine wards, and each comprises many individual settlements. The UP has one chairman and nine general members, each representing a different ward. There are also three women in the UP, all of whom sit in reserved seats. The UP secretary is a government-appointed person who provides support to UP. Thirteen standing committees deal with issues that affect all 39 UP functions.² In

² Standing Committee on Finance and Establishment; Standing Committee on Audit and Accounts; Standing Committee on Taxation; Standing Committee on Education, Health and Family Planning; Standing Committee on Agriculture, Fisheries, Livestock and other Development Works; Standing Committee on Rural Development; Standing Committee on Law and Order Maintenance; Standing Committee on Birth and Death Registration; Standing Committee on Sanitation, Water Supply and



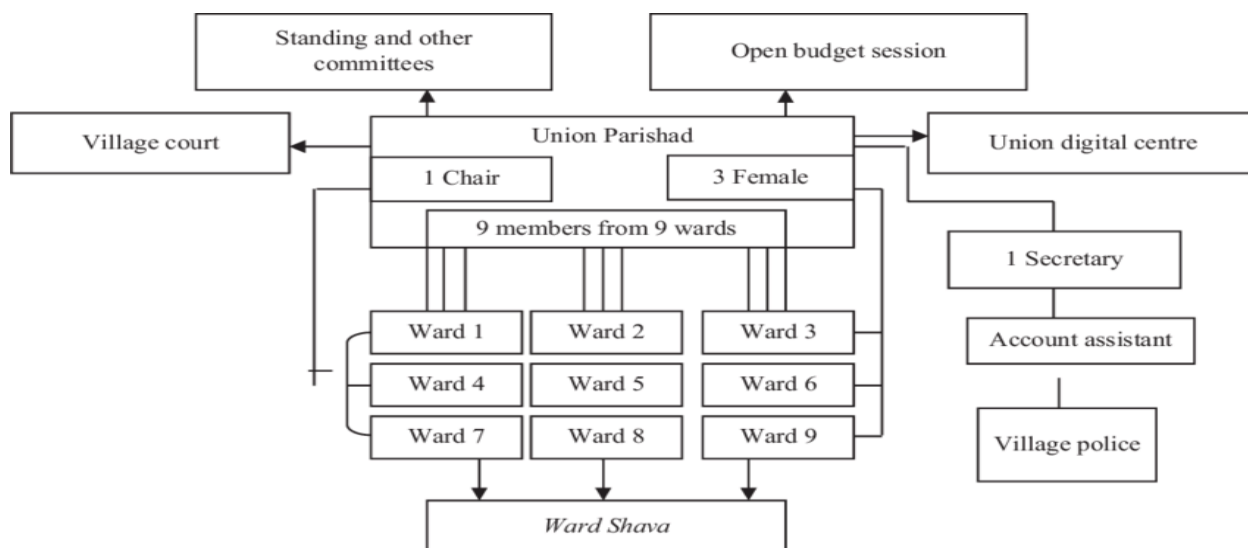
contrast to what its residents expected in terms of service quality, UP's conventional method of operation has failed. A new system for providing public services that are effective, efficient, participatory, transparent, and above all, accountable had to be established, and the UP's current mode of operation had to shift to make way for it. For this reason, the UP's governance process has changed over the last several decades. Two such platforms are the Open Budget Session (OBS) and the Ward Shava (WS), enabling residents to voice their opinions, discuss the issues they face, and see whether their concerns have been reflected in the UPs' spending plans. Through WS and OBS, people are empowered to take ownership of their responsibilities, which holds UPs accountable for getting the job done. The government of the UPs has also passed the Right to Information Act (RTI Act) and the Citizen's Charter Act (Citizen's Charter Act), which require public notices to be posted about citizens' access to various government services.

The government has also set up a village court in UP to reduce the number of cases brought to the higher courts for resolution when they may be handled more efficiently at the grassroots level. The formal justice system and the villagers' burdens have been lightened thanks to this new village court system. Figure-01 illustrates the UP's institutional setup.

Figure-2
Institutional Setup of UPs

Drainage; Standing Committee on Social Welfare and Epidemic Control; Standing Committee on Tree Plantation; Standing Committee on Women and Child Welfare, and Standing Committee on Culture & Sports.





6.1.1.4.3. The Functions of Union Parishad

The Local Government (UP) Act, 2009, the most recent law drafted and approved by the government for the UP, supersedes all previous UP legislation and legislation enacted under its authority. Article 47 (1) of this law specifies the primary responsibilities of UPs, which are as follows: (a) administrative and establishment matters; (b) protection of public order; (c) services related to public welfare works; and (d) formulation and implementation of plans related to local economic and social development. However, 39 functions of UP have been specified based on the principal functions outlined in article 47 (1) of said legislation. The function of UPs is summarized in **table-4 in Annex-2**.

6.2. Understanding Mobilization of Resources: A New Era of Capacity Enhancement for the UP

In a broad sense, resource mobilization encompasses whatever an organization does to acquire or create access to extra resources. Local resources mobilization is the efforts of local government to gather finances from a locality to support activities inside that community (cited in Blair, 1989, p.50). Additionally, resource mobilization may be defined as collecting funds from customers. However, as was previously said, taxes, rates, non-tax income, voluntary donations, and government grants are the key sources of revenue for LGIs, mainly UPs. The government funds that UPs get an account for more than half of their entire revenue. As a business model, UPs rely on this kind of government funding to succeed (Siddique, 2005). For this reason, resource mobilization over LGIs, mainly UPs, has been a hot topic of discussion in Bangladesh and many other developing nations for the last three decades. Discussion centers on how best to maintain local governments' financial stability so that they may better serve their constituents and promote economic growth. With help from donors and the federal government, UP has made some progress in its budgetary role recently, but there is still more work to be done (Ullah & Pongquan, 2010).

Own revenue generation at the rural local government level depends on local fiscal efforts; the size and freedom of the local government are seen as crucial aspects that determine the structures and generation of revenue and adequacy of local finance, and fiscal and non-fiscal supports of the national government are seen as crucial aspects that determine the national government's size and support of



local governments. One may argue that the potential for taxable income increases with the size of a municipality's population and agricultural land (Hye, 1985, p.180). However, raising funds for rural governments is always tricky, especially in developing nations. Concerns have been voiced about the methods available for mobilizing local financial resources, including their efficacy in generating money, their impact on economic efficiency, their implications for equality, and their manageability (Bahl, 1984).

The government of Bangladesh has undertaken many initiatives to enhance the collection and management of local taxes in the UPs. The Union Parishad (UP) tax assessment and collection strategy, the UP model tax schedule, and the UP performance-based particular grant scheme were all published by the Ministry of Local Government, Rural Development, and Co-operatives (LGRD). To actively, efficiently, and sustainably support local development activities, the government piloted the Sirajgonj District Local Government Development Project (SLGDP) from 2000 to 2005. With the help of the GOB, World Bank, Swiss Development Cooperation, UNCDF, UNDP with the European Commission, and DANIDA, the government has launched the Local Governance Support Project (LGSP), the largest project (US\$ 218.12m) to date (2006-2011).

7. Understanding from Research Reviews and Consultations

RM is crucial to the long-term success of LGIs and the provision of services following the law. However, in Bangladesh, there has been a lack of research focusing on UPs' needs for resource mobilization and capacity building for evidence-based decision-making. Back in 1984, Schroder performed pioneering research that advocated reforming the government's revenue system and offering incentives for local resource mobilization. Blair's second research, from 1989, found that local resources represent just a tiny portion of the potential and that no institutional structure exists to handle the most effective possible income generation (Schroder, 1984; Blair, 1989). It has been noted by Aminuzzaman (2004) that the government's allocation to UPs is disproportionate and that there is no suitable framework for coordinating the work of local government officials. Expertise in classifying and valuing occupations according to the Model Tax Schedule is lacking (Hussain, 2017).

This local government unit plays a significant role in development by carrying out central government mandates (Rahman, 2011). Saqui et al., 1982 found that most government subsidies to UP are utilized to pay chairman, member, and staff honoraria, while UP's revenue is excessively low relative to the central allocation. Kairala (2002) defines resource mobilization as identifying the resources needed for the conception, execution, and constitution of works to achieve the organization's objective. It refers to achieving an organization's purpose through mobilizing people's knowledge, skills, equipment, etc. Considering a dearth of empirical research and change in the modalities of local initiatives and government funds, the study under the MVMT, TAP, and LGDs planning framework seems appropriate in the present context.

8. Reframe LGIs and My-Village- My Town Special Undertakings

The local government in Bangladesh has a long history and solid constitutional foundation. Articles 59 and 60 of the Constitution outline the function and structure of Local Government, which is reinforced by Articles 9, 11 and 16. Several policy papers, including the rural development strategy, 2003, national five-year plans, and election manifesto, 2018, recognize the importance of local government in Bangladesh. The policies advocate building mechanisms for the local government as a



facilitator and developer of the 'necessary congenial environment' for delivering services to rural people and expanding possibilities. The 8 FYP stated that "strong policies and strategies alone will not be enough to achieve the Plan's aims." It stresses strengthening public administration institutions and finances. It also suggests focusing on service quality to serve residents better. The documents say LGIs require more money, authority, and training. My Village-My Town initiatives highlight the significance of 'accountable and responsive local government institutions where 'people would be empowered and provided access to government services and opportunities.' The development of LGI capacity is one of Bangladesh's most significant challenges to local economic development.

The Eight Five-Year Plan aims to eliminate poverty. Accelerating economic development and maintaining distributive fairness are two ways to accomplish it. Local government entities can't fulfill their purpose due to centralized administration. Through empowering individuals, MVMT is considering decentralizing and devolving its centralized structure.

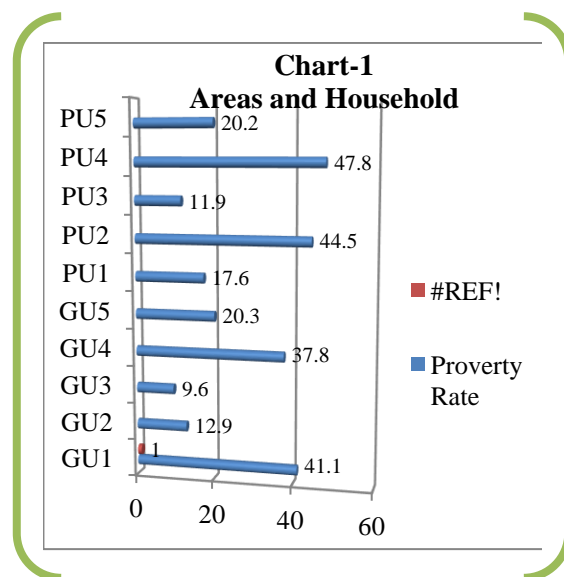
9. State of Resource Mobilization in Selected UP: Empirical Evidence from the Field

9.1. Demographic Profile of the Selected Village

The primary demographic data of villages where chosen UPs are situated was collected and analyzed. This was done to analyze the demographic structure of UPs in a given socio-cultural environment and uncover resource mobilization indicators. It was found that chosen UPs have different areas and numbers of households, population densities, literacy rates, and poverty rates (See table-5 in annex-3 for detailed information about these indicators).

9.1.1. Areas and Household

Graph-1 suggests that there is a consistency among the area of UPs and the size of the population with minor differences. Each GU's ranges from 3582 (GU1) to 14271 (GU3). The area of GU1 is 9076, GU2 is 8141, and GU4 is 9948. This suggests that in most cases, GUs share almost same area with some exceptions, like GU5, which is extremely small, while GU3 is exceptionally high. On the other hand, PU1, PU3, PU4, and PU5 also have different sizes, which are 10651, 49280, 2446, 15503 and 9978, respectively. Regarding the household, graph-1 suggests that the population among the GUs and PUs also varies according to the size. For instance, the GU has a population is 3246 while GU3 has a population of 7276 as it has the largest area. According to the size of the PUs, the population also varies (see graph-1 for more detail). Charchandiya Union (GU3) has the most significant population and the lowest poverty rate among non-piloting UPs. Bushanchara UP (PU1) has the most land, the fewest people, and the most significant poverty rate.



9.1.2. Population

GU3 has 40592 inhabitants, including 21000 males and 19592 females, making it the most populous of the non-piloting area unions. Contrarily, PU4 has the largest total population (28455), split evenly between men (14040) and females (14415). An impressive finding is that the gender ratio is about 50/50, which follows the overall demographics of the country (See Graph-2 in annex-3)



9.1.3. Education

Regarding education and literacy, Bichali Union (GU2) has far higher standing than the other UPs in non-piloting areas. More specifically, Bichali Union had the highest literacy rate (GU2). In contrast, the UPs in the piloting area, namely Shimulbac Union (UP5), have the lowest literacy percentage. It is generally accepted that more resource mobilization correlates with higher education levels among those providing the service. It was discovered that GU5 had the greatest and PU2 had the lowest proportion of college graduates among the chosen UP (See Table-5 and Graph-3 in annex-3 for more detail).

9.1.4. Poverty Rate

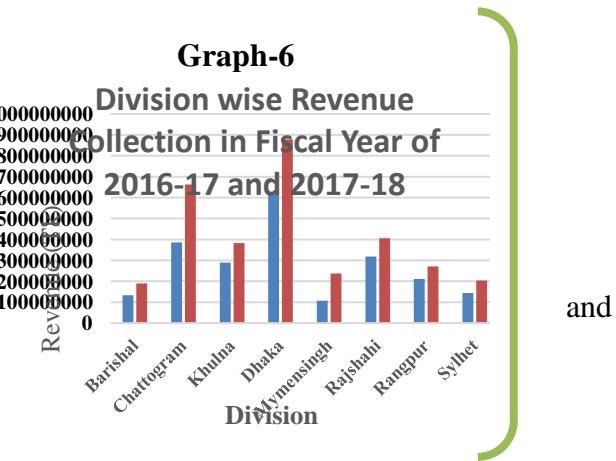
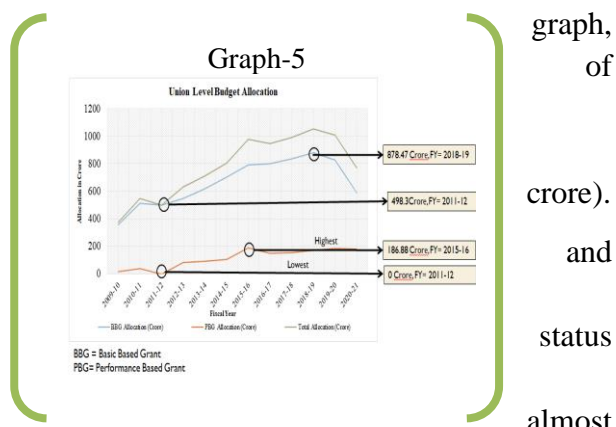
As regards the poverty rate in project and control UPs, the findings suggest a significant variation. Among the non-piloting UP, GU1 comprises the highest number of poor people, followed by 27.8% in GU4 and 20.3% in GU5. On the other hand, GU2 and GU3 comprise a relatively lower number of poor people (12.9% and 9.6%, respectively). When it concerns the piloting UPs, Graph-4 suggests that PU4 comprises the higher number of poor people (47.8%), followed by 44.5% in the GU1. On the other hand, UP1, PU3, and PU5 comprise a lower n number of poor people (17.6%, 11.9% and 20.2%, respectively) (See Table-5 and Graph-4 in Annex-3).

9.2. National Landscape RM

The budget allocation for the Union, viewed from the perspective of the national level, is shown in graph 5. Basic Block Grants (BBG) and Performance Based Grants make up the national level budget distributed by the national government (PBG). The number demonstrates that the allocated amount does not nearly meet expectations. According to the the 2018-2019 fiscal year saw an enormous amount BBG funds being allocated (878.47 crore). Conversely, on the other side, the most PBG was distributed in the 2015-2016 fiscal year (186.88

As regards division-wise revenue collection, Dhaka Chattogram divisions had the highest amount of revenue collection in both fiscal years, while the of Barishal, Mymensing, Rangpur, and Sylhet divisions in the collection of revenue is not only the same but also the poorest among the divisions. This is seen when comparing the revenue collection trend of divisions studied. Dhaka and Chattogram divisions had the highest revenue collection in both fiscal years. Compared to Barishal, Mymensing, Rangpur, and Sylhet, the performance of the Khulna and Rajshahi divisions in terms of revenue collection may be better; yet, the performance is deemed to be unsatisfactory when compared to that of Dhaka Chattogram, respectively.

Taking into consideration the information on the district-wise trend of revenue collection that is shown in the preceding picture, all districts have



been



grouped into several regions with different names depending on the extent of the increase and decrease in collection of revenue from the fiscal year 2016-17 to 2017-18 highly potential region, moderately higher potential region, moderate economic potential region, moderately lower potential economic region, lower economic potential region, and no potential region The initial picture demonstrates that except for four districts—Nilphamari, Rangamati, Narshingdi, and Moulvibazar—revenue collection in all districts has increased at varying levels from the fiscal year of 2016-17 to the fiscal year of 2017-18. The region that includes these four districts is known as a no potential region. With increases of 40%-60% and 20%-40%, respectively, such districts make up more than half of those classified as belonging to regions with moderate potential (17) and regions with moderately lower economic potential (18). Districts like Chattogram, Kurigram, Laxmipur, Barishal, Chandpur, Takurgoan, Jhalokathi, Feni, Tangail, Faridpur, Bandarban, Natore, Jashore, Magura, Dhaka, Manikgonj, and Kushtia have a modest economic potential. In contrast, municipalities like Narail, Gazipur, Rajshahi, Pabna, Borguna, Rangpur, Gaibandha, Sherpur, Bagherhat, Bhola, Lalmonirhat, Jhenaidah, Khulna, Narayangonj, Brahmanbaria, Naogon, Bogura, and Joypurhat are included in the area with a significantly lower economic potential. High potential districts have a revenue increase of more than 80 per cent, while somewhat higher potential regions have experienced revenue growth of between 60 and 80 per cent. Netrokona, Cox's Bazar, Mymensingh, Kishoreganj, Shariotpur, Noakhali, Khagrachori, and Sylhet are some of the districts that make up the high potential area in Bangladesh. Cumilla, Munshigonj, Habigonj, Madaripur, Panchagorh, Patuakhali, Jamalpur, and Chuadanga are examples of districts located in the area with relatively more significant potential. Lower economic potential areas are classified when their revenue has risen by less than 20% over the previous year. Ten districts fall within this category, and their names are as follows: Sirajgonj, Pirojpur, Sunamgonj, Chapai Nawabganj, Rajbari, Meherpur, Dinajpur, Satkhira, and Gopalganj, respectively (See Figure-1 in Annex-3 and Table-6 below).

Table-6

Overview of Revenue Collection in the fiscal year of 2016-17 and 2017-18

Region (RM)	Revenue Increased (%)	Total number of districts	Name of the districts
Highly Potential region	>80%	8	Netrokona, Cox's Bazar, Mymensingh, Kishoreganj, Shariotpur, Noakhali, Khagrachori, Sylhet
Moderately Higher potential region	60%-80%	8	Cumilla, Munshigonj, Habigonj, Madaripur, Panchagorh, Patuakhali, Jamalpur, Chuadanga
Moderate Economic Potential region	40%-60%	17	Chattogram, Kurigram, Laxmipur, Barishal, Chandpur, Takurgoan, Jhalokathi, Feni, Tangail, Faridpur, Bandarban, Natore, Jashore, Magura, Dhaka, Manikgonj, Kushtia



Moderately lower economic potential Region	20%-40%	18	Narail, Gazipur, Rajshahi, Pabna, Borguna, Rangpur, Gaibandha, Sherpur, Bagherhat, Bhola, Lalmonirhat, Jhenaidah, Khulna, Narayangonj, Brahmanbaria, Naogoan, Bogura, Joypurhat
Lower economic Potential Region	<20%	10	Sirajgonj, Pirojpur, Sunamgonj, Chapai Nawabganj, Rajbari, Meherpur, Dinajpur, Satkhira, Gopalganj
No Potential Region	Revenue Decreased	4	Nilphamari, Rangamati, Narshingdi Moulvibazar

Source: Prepared by the author based on document review.

9.3. Revenue Landscape of the Selected UPs

During the research, several facets of the resource mobilization (RM) process and methods were examined, and this was done. In contrast, the waves of resource mobilization and accountability of the chosen UPs were being analyzed (i.e., inputs, process, context, outcomes, and feedback). However, several possible local resources found throughout the research are noted below.

1. Natural or human resources (e.g. mineral, forest, entrepreneur): the resources are available, but the level of potential is nil (00%).
2. Physical and infrastructural resources (e.g. markets, agricultural lands, home lands): the resources are available, and the level of potential is 68.75%.
3. Financial resources (e.g. taxes, fees, tolls, development funds): the resources are available, and the level of potential is 93.75%.

According to the legal framework and the requirements, the revenues of chosen UPs come from two primary sources, which are referred to as their source and other sources, respectively. In the following discussion, some light will be thrown on these various sources of income for selected UPs.

1. Income from own source:

Own sources, such as holding tax (on buildings and land), tax on trades, businesses, professions, advertisement cinemas, and exhibitions, fees for the registration of cars and other taxes, tolls, penalties, fines, and so on, all contribute to the revenue that UPs bring in.

2. Shared revenue:

The phrase "shared income" refers to the receipt of 1% of land registration fees of the land transfer tax collected by the Land Registration Office at the Upazila level, a share of market leasing fees, and so on.

Transfer from central government:

The funds that are allocated from the central government to UZP in the name of UZP development grants as part of the ADP of the government are referred to as Block Grant. These funds are then dispersed among UPs after being transferred to UZP from the central government. In addition to that,



grants for the support of the development of the UP are also included in this source of revenue.

Revenue grants:

Revenue grants are used toward salaries and incentives and cover administrative expenditures. Revenue grants include discretionary grants given by the central government for use in development expenditures and grants and loans from donor-funded programs and projects, such as the SBG and EBG blocks of the LGD and LGSP. Food and wheat grants have been provided to UPs by the Ministry of Food and Disaster Management under the guise of test relief, food for works (kabikha), and food for taka (kabikha) programs, respectively.

9.4. Key Observation and Feedback

1. Everyone had an opinion and agreed that a reliable and efficient revenue system for the UPs is an absolute need for both the efficient delivery of services and the accurate assessment of their performance.
2. The UPs are required to assess and collect local taxes, but, owing to a high degree of capacity lackings in their respective areas, they cannot execute their power or obligations to the fullest extent possible in their respective areas.
3. Solid finances for the local government are a primary prerequisite for carrying out political decentralization, devolving the responsibility of providing public services, and creating essential infrastructure, all of which need a significant amount of financial resources.
4. The UPs and the citizens may build a productive and responsible connection by using revenue or money from their sources as a foundation for the partnership.
5. The mobilization of resources from the organization's source of income or revenue increases accountability, and a high degree of responsibility on the part of the service providers encourages, in turn, people to be ready to pay for the services they get from the UPs.
6. In general, UPs get their funding from a combination of three sources: local income, subsidies from the central government, and external sources (UP Operation Manual, 2012). Taxes, rates, tolls, fees, and many other levies are all local government income sources.
7. The legal framework of the UPs requires them to generate their revenue and resources from taxes, rates, fees, tolls, fines, and other charges within their administrative boundaries and may include, but may not be limited to, sections 53 (ii) and 65 of the Local Government (Union Parishad) Act of 2009, needs to be amended to put the My Village My Town project into action. This framework must be amended to comply with the act's requirements.
8. Under section 68, the UPs were given the authority to collect taxes to satisfy their spending needs and support their development endeavors. Additionally, the government was given the authority to create the new Model Tax Schedule under Section 66 of the Act.

The following essential components were introduced into the UP Act, 2009 to guarantee efficient local governance:



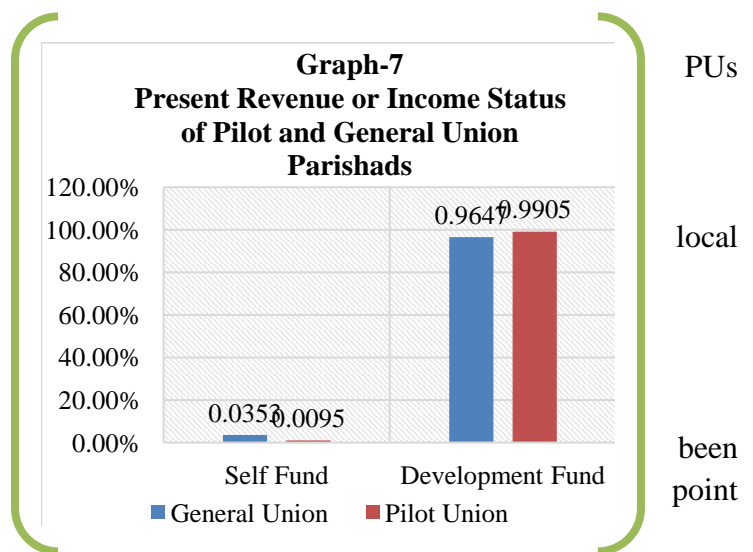
9.5. Key Findings on Resource Management

9.5.1. The Present Financial Position of Both the Pilot and General Union Parishads with regards to Revenue or Income

The accompanying graph demonstrates that the PUs and GUs are wholly reliant on the central government for their respective sources of financial support. 99% of the overall revenue or resource that PUs get comes from the central government through development funding. The remaining 1% (or, more precisely, 0.95%) comes from the PUs' own sources of income. The financial standing of GUs is almost the same. GUs get the remaining 96.47% of their total funds or income from the central government through development funds. The revenue that GUs create from their own sources only accounts for 3.53 per cent of their total funds or income. Even though there is a substantial gap between the GUs and PUs concerning the amount of money collected from their sources, the

are virtually entirely reliant on the central government for funding. Another set of findings indicates that the UPs have the potential to increase their revenue from sources, particularly taxes that can be imposed on— and collected from—local property and consumption; however, their capacity for exploring opportunities is constrained, so this potential has not yet fully realized. However, it is essential to out that there has been a general trend found among the UPs in which they have

begun undertaking initiatives to determine the ways to come out of bottlenecks that hinder their performance in revenue collection. This is something that needs to be emphasized because it is essential.



9.5.2. A Comparison of the Income to Expenditure Ratios of the Pilot and General Union Parishads

The accompanying chart demonstrates that, with very few exceptions, the PUs and GUs nearly exactly balanced their revenue and expenditures at the same level over the whole period. The income-to-spending ratio is different in the two UPs that comprise each research area's general and pilot populations. In addition, the UPs in the two separate locations have different ratios of revenue to expenditure, and the GUs have a higher overall income and expenditure than the PUs. GU2 was the only GUs with expenses higher than its revenue, whereas GU4 had the opposite situation (Graph-8 in annex-3). On the other hand, PU4 spent less than it brought in, and PU5 spent more than it brought in.

9.5.3. A comparison of the correlation between tax revenue and demographic variables in the GUs and PUs

According to the documents released by the government, it is widely known that the areas, as well as the total number of people and households, always have a considerable role in the amount of revenue collected. In addition, countries like Bangladesh constantly confront difficulties in raising revenue



from the people through taxes. These difficulties might include but are not limited to widespread poverty, a lack of understanding, and an unwillingness to pay taxes. Therefore, it is essential to investigate the elements that have an impact on the present situation regarding revenue collection in the research locations that have been selected. Therefore, a detailed correlational analysis has been carried out to determine how parameters such as geographic area, the number of households and population, literacy and poverty rate are connected to the amount of money collected in the studied locations.

Revenue collection positively correlates with the area, population, and household count in GUs (table-7). This correlation indicates that revenue collection rises when there is an increase in the geographical area and the number of households and population. The data in the table demonstrate that there is only a weak positive link between the amount of money collected in taxes and the literacy rate. Therefore, the notion that there is a positive association between a high literacy rate and a high revenue collection does not hold for GUs. While the poverty rate is concerned, there is a negative link between revenue collection and the degree of poverty rate, meaning that tax collection would rise at a modest pace if the poverty rate lowers.

Table-7
Correlation between tax revenue and demographic variables in the GUs and PUs

General Union		Pilot Union	
Correlation with Self-Fund Revenue Collection		Correlation with Self-Fund Revenue Collection	
Area	0.689616303	Area	-0.32917
Household	0.55501267	Household	0.891104
Population	0.642433743	Population	0.729548
Literacy Rate	0.199440746	Literacy Rate	0.04958
Poverty rate	-0.377741627	Poverty rate	0.428742

Source: The author's calculation based on a field visit (2022).

In PUs, revenue collection has a substantial and positively linked relationship with the number of households and the population. Still, revenue collection has a significant and negatively associated relationship with the area (geographical). The choice of unions from various geographical regions, such as plain land, hilly region, and hoar basin area, where development project is projected to be executed, may be one of the causes of the negative association between income collection and area. There is a very weakly positive association between the literacy rate and the amount of money collected. It is thus plausible to assert that the research region's literacy rate does not directly affect the amount of income collected. Instead, the payment of taxes is affected by the mindset of taxpayers, which is, in turn, impacted by various variables, including norms, values, and cultures. When looking at the poverty rate, a finding that is quite similar was discovered. Although a rise in the poverty rate is associated with an increase in the quantity of income collected, the type, norms, and knowledge of taxpayers take precedence over the situation of poverty.



9.5.4. Total Income Distribution in between 2019-20 & 2021-22 Fiscal Year

The degree to which an increase in the amount of revenue collected by UPs is achieved determines the extent to which that entity's performance is regarded as satisfactory. Therefore, it is possible to assert that a favorable change in the amount of income collected leads to the presentation of improved performance in terms of getting things done and vice versa. The graph just described illustrates a trend in the collection of money by GUs and PUs in the fiscal years 2019-20 and 2020-21. This graph offers a visual performance scenario of the pilot and general unions compared to one another throughout fiscal years. The rate of change may also be seen in the table (Table-8).

Table-8

Total Revenue Income Distribution between 2019-20 & 2020-21 Fiscal Year

Total Revenue Income Distribution between 2019-20 & 2020-21 Fiscal Year					
		2020-21	2019-20	Change	Income Increased (%)
General Union	GU 01	20990257	18386727	2603530	14.16
	GU 02	4489805	9137692	-4647887	-50.86
	GU 03	23340840	23034980	305860	1.33
	GU 04	49270418	31327667	17942751	57.27
	GU 05	13564031	11706003	1858028	15.87
Pilot Union	PU 01	32287448	31333186	954262	3.05
	PU 02	10218520	3788451	6430069	169.73
	PU 03	13484788	9119776	4365012	47.86
	PU 04	49270418	31327667	17942751	57.27
	PU 05	20272471	17981045	2291426	12.74

Source: The author's calculation is based on a field visit (2022).

The data presented in the above table suggests an increase in income (revenue collection) in four of the GUs, which indicates that those UPs are performing well. On the other hand, the remaining union (GU02) is not performing well because it is the only union whose income decreased by 50.87 per cent, going from BDT 9137692 in 2019-20 to BDT 4489805 in 2020-21. It was GU4 that had the most significant increase (57.27%) in the amount of money it brought in during the fiscal year 2012-22 compared to the previous fiscal year. To provide more detailed information, the sum went up from BDT 31327667 in 2019-20 to BDT 49270418 in 2020-2021. According to the table that can be found above and the one that can be found below, each of the PUs will see a rise in their revenue in the two



consecutive fiscal years of 2019-20 and 2020-21. On the other hand, the income increase in PUs 02 and 01 is the largest and lowest, respectively. The increase is shown as 169 and 3.05 per cent in percentage terms.

9.5.5. Per Household and Per Capita Income in Fiscal Year of 2020-2021

GU 01 and GU 04 have the lowest amount per household income, with BDT 761.64 and 97.80 for self-fund and development funds, respectively. On the other hand, GU 02 and GU 04 have the highest amounts per household income, with BDT 2404.07 and 6005.29 for self-fund and development funds, respectively. GU 01 has the lowest, and GU 04 has the most incredible per-capita income for both the self-fund and the development fund. On the other hand, GU 04 has the most considerable amount of per-capita income.

Table-9

Per Household and Per Capita Income in Fiscal Year of 2020-2021

		Per Household Income (2020-21)			Per Capita Income (2020-21)		
		Self-Fund	Development Fund	Total	Self-Fund	Development Fund	Total
General Union	GU 01	97.80	3360.23	3458.03	21.52	739.33	760.85
	GU 02	216.74	761.64	978.38	51.40	180.64	232.04
	GU 03	174.09	3033.83	3207.92	31.20	543.81	575.01
	GU 04	2404.07	6005.29	8409.36	540.23	1349.48	1889.71
	GU 05	102.83	4063.03	4165.86	23.29	920.23	943.52
Pilot Union	PU 01	126.86	5478.60	5605.46	29.33	1266.68	1296.01
	PU 02	77.52	3269.52	3347.04	14.65	617.92	632.57
	PU 03	125.87	2844.35	2970.22	29.42	664.92	694.34
	PU 04	232.22	2721.23	2953.45	56.02	656.42	712.44
	PU 05	124.33	1162.09	1286.42	22.08	206.37	228.45

Source: Calculated by the author based on a field visit.

9.5.6. Expenditure Scenario of the GUs

The establishment and other expenditures account for most of GUs' overall expenditures. This is notably true for GU 01, GU 02, and GU 03, which spent 91.51, 70.07, and 75.81% of their total revenue on the categories mentioned above of costs, respectively. GU 02 and GU 03 spent 25.17 and 24.09 per cent of their total revenue on human resource development and communication, respectively. These



were two areas where they invested their money. Compared to GU 01, 02, and 03, GU 05 is unique in that it allocated all of its revenue to just two objectives, namely establishment and communication, with respective shares of 37.05% and 62.95%. This makes GU 05 distinct from its predecessors. Only GU 04 is an exception since it was the only one to spend money on many categories, such as establishment, communication, health, water supply, education, agriculture and marketing, human resource development, and others. The areas of communication (24.3% of total expenditures), health (10.45% of total expenditures), water supply (31.36% of total expenditures), and human resource development (18.95%) accounted for the majority of these areas (See table-9 in annex-3).

9.5.7. Expenditure Scenario of Pilot Unions

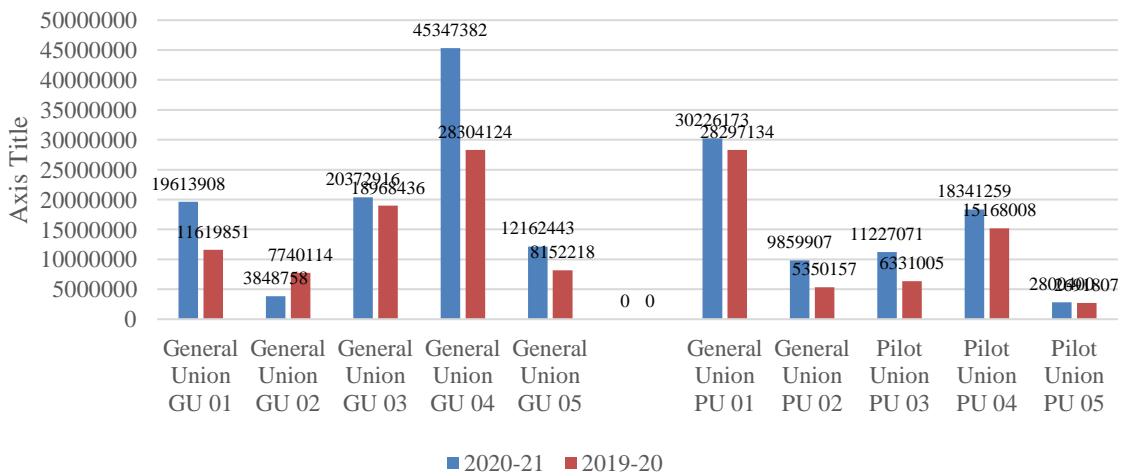
Along the same lines as the GUs, almost all PUs (except for PU 05) spent a significant portion of their profits on the facility's operation. PU 02 and PU 04 have the highest costs in this regard, which comprise a share of 95.44% and 63.04%, respectively; however, the share that PU 05 has in this cost item is the lowest, with 5.98%. Next on the list of expense items where all PUs spend a significant portion of their revenue are others, with PU 05 and PU 02 holding the shares with the greatest (94.01%) and lowest (4.55%) percentages, respectively. PU 01 and PU 03 spent an additional 16.97% and 51.07% of their revenue, respectively, on the heads of agriculture, marketing, and communication. Only PU 04, out of all the PUs spent less than 2.85% of its revenue on health-related purposes. Therefore, it is possible to say that PUs spend their revenue exclusively on a few specific things, the most important of which are establishment, communication, agriculture, and marketing, as well as other things. In contrast to GUs, they did not spend any money on the provision of water, education, the management of natural resources, or the development of human resources. The fact that both GUs and PUs spent a considerable amount of their money on purposes related to establishing costs is one way in which the two types of unions are comparable in terms of the trend of expenditures. On the other hand, the general spending pattern of GUs, in contrast to that of PUs, is more fulfilling (See table-10 in annex-3).

9.5.8. Expenditure Trend between 2019-20 and 2020-2021 Fiscal year

The entire spending pattern of GUs and PUs in the fiscal year 2019-20 and 2020-21 is shown in the graph-19 Without GU 02, which spent less in the fiscal year of 2020-21 compared to the immediately preceding fiscal year, all kinds of unions spent more money in the fiscal year of 2019-20 compared to the fiscal year of 2020-21. This was the case regardless of the type of union. Of the GUs, GU 01, GU 04, and GU 05 spent roughly twice the amount of money in the fiscal year of 2020-21 compared to the previous fiscal year. On the other hand, GU 03 raised its expenditures by around 10% in the fiscal year of 2020-21 compared to the earlier ones. On the other hand, although four out of five PUs increased their expenditures in the current financial year of 2020-21 in comparison with the previous financial year, the PUs with the highest increase in expenditures is PU 02 and PU 03, which increased their spending from BDT 5350157 to BDT 9859907 and BDT 6331005 to BDT 11227071, respectively. While PU 01 and PU 04 observed a rise in their expenditure of about 8% and 30%, respectively, PU 05 did not find any change in their expenditure. On the other hand, the general pattern of expenditures reveals that general funds were spent more than special funds during the fiscal year of 2020-21 compared to the previous fiscal year of 2019-20.



Graph-9: Total Expenditure Trend in between 2019-20 & 2021-22 Fiscal Year



9.6. Analysis of Key Problems and Challenges

The findings of this study indicate that although there has been progress - albeit limited - in strengthening the capacity of UPs, selected UPs are confronted with some fundamental problems in ensuring good governance and effective delivery of services, as well as mobilizing resources. This is even though there has been progressed in strengthening the capacity of UPs, albeit limited. The next part provides some illumination on those difficulties and issues raised.

9.6.1. Functional Problems

A Huge Disparity Exists Between Demand and Supply

There is a significant gap between the demand for financial resources and the supply of such resources. Even though the central government has encouraged local governments to rise their spending, it is still less than 2% of GDP and local governments' contributions to the entire tax base of the government amount to just 1.6%. (GOB, 2020). Only 7% of total public expenditures are currently allocated to local government initiatives and rural development (GOB, 2013). This indicates that Bangladesh is the most centralized country regarding the fiscal and monetary management of LGIs.

An Increasing Trend of the Fiscal Gap

It has been discovered that there is a growing trend of the fiscal gap, which is caused by the rapid growth of the rural economy, which leads, in turn, to the creation of an ever-increasing demand for public services, as well as new public infrastructure and the maintenance of its existing components. In the UPs situated in peri-urban regions, this is an essential and fundamental point to consider.

Lack of Common Characteristics:

The rural regions of Bangladesh are not all the same; instead, there are disparities in socioeconomic, citizen attitudes, or demographic circumstances, all of which substantially influence the creation and mobilization of local resources.

Dependence on the Central Government



Because the UPs have such a little base of income from property taxes and service charges, they are almost entirely dependent on the money provided by the central government. The most likely sources of revenue for UPs to use to finance their operations, including income taxes, sales taxes, and business taxes, remain under the jurisdiction of the nation's central governments. These types of taxes might be acceptable for supporting UPs in peri-urban regions.

Reluctance on the Part of Elected Representatives

Considering that property taxes and service charges are two primary sources of income, the potential to earn revenues from them increases revenue collection to a substantial level. However, it has been discovered that UP officials are highly hesitant to derive cash from such sources because they are afraid of losing support from their popularity among the locals. In addition to that, they want to avoid the political reaction that may come from the local taxpayers.

Improper distribution of duties and resources

Last but not least, there is a significant lack of vertical balance at the UP level regarding the distribution of responsibilities and the availability of financial resources. Many public officials are uninterested in covering the program's administrative and financial expenses, which have been allocated to them.

Shortage of Personnel:

UPs lack technical staff, which prevents them from adequately planning budgets, handling finances, maintaining accurate records, monitoring development projects, and digitalizing documents.

Non-participatory Decision Making:

Participation, The decision-making process of UPs has to be participatory to achieve development goals that are beneficial to the poor and to ensure that these goals are effectively implemented via the appropriate distribution of funding. However, in theory, UPs do not have a procedure for participatory decision-making, which is a sign of inadequate accountability.

9.6.2. Institutional Problems

Lack of functional clarity:

Regarding resource mobilization, the tasks and functions ascribed to the ZP, UPZ, and UP are not usually adequately defined. In certain instances, they are also synonymous with one another.

Inadequate devolution of power for the delivery of services

Because LGIs and mainly UPs give services to villages on a personal level, appropriate power must be devolved to UPs for efficient delivery of services to demanding adequate devolution of power. On the other hand, UPs do not have nearly as much authority as they would be necessary for the efficient delivery of services.

9.6.3. Challenges posed by Institutional Variables

- a. Members of the UP are well-versed in official positions and responsibilities.
- b. Elected officials do not have to answer for their actions.
- c. Inadequate ability for revenue mobilization or a lack of motivation to engage in revenue mobilization on the part of UP officials



- d. The inability of suppliers to function effectively due to a lack of both infrastructural facilities and financial solvency
- a. Residents of the villages have minimal input on the decision-making process and procedures.
- f. There is gender bias in the processes used to get things done in UPs.
- g. The UP functionaries have a limited understanding of the fundamental roles that UPs play, such as providing cleanliness, managing garbage, and acting as violent tools.
- b. The UZP exerts relatively little influence or control on the day-to-day operations of the UPs.
- i. There is no clear functional divide between parliament members and local government members.
- j. There is an absence of fiscal decentralization at the local level within UPs in their capacity as service directory agencies.
- k. UPs are plagued by various additional issues, such as a lack of land records, inaccurate property valuations, and inaccurate tax assessments, a low tax rate, and ineffective tax administration.
- l. The inability of UPs to adequately recoup the costs of providing essential services like water supply, sanitation, and waste disposal is a significant issue.

9.10. Fiscal Framework

The most fundamental barrier to improving the delivery of essential public services in rural and urban regions in Bangladesh is the country's poor administration and the insufficient fiscal decentralization of UPs. Inadequate staffing in both quantity and quality is a significant bottleneck to service delivery. Centralized decision-making on spending results in poor accountability of LGIs, especially when it comes to service delivery. The government controls both the revenue and the expenditure, which means that elected managers belonging to political parties in opposition have little control over service delivery, which, in turn, depends on discretionary fiscal transfers from the central government; The scope for innovative financial solutions at the local level is limited due to the weakness of the property tax design, the absence of public borrowing by LGIs, and the inadequacy of effective public, private partnership; The scope for innovative financial solutions at the central level is limited due to the absence of discretionary fiscal transfers

9. 10.1. Questions over UP's Deliveries:

During the focus group discussion, the responder asked a wide variety of practical questions, including the following:

- a. What are the most efficient strategies to enhance the delivery of services in these more minor, maybe too tiny UPs?
- b. Should they be coaxed into merging with larger units or not? Or is it possible for them to form associations with other LGI to overcome scale issues?
- c. Is entering into agreements with private service providers the best course of action? The daytime population in peri-urban regions significantly differs from the residential population in the exact locations. The daytime population, however, makes use of public services as well. Which methods does UP have at its disposal to increase the amount of money it makes from the daytime population?
- d. What would be an equitable distribution of the taxable resources between a person's residence and place of employment?

The chosen UPs continue to operate using time-honoured practices in their business. New methods of



service delivery, such as those that involve services being provided from specific counters, user charges, taking formal applications, providing information about planning processes, grievance procedures, etc., have not yet been implemented, and the UP functionaries have a limited understanding of the processes involved in such methods.

9.11. Human Resources of UPs

Bangladesh has a total of 4543 UPs in existence in the year 2021. The Local Government (Union Parishad) Act, 2009, provides that a union is to be subdivided into nine wards, each of which is to be regarded as falling under its respective authority. A UP has 13 members, one of whom is the chairman, nine of whom are elected, and three female representatives from reserved seats (Local Government Division, 2009; Uddin, 2019). It is anticipated that UPs will have the assistance of several staff members, including one secretary, one computer operator, one accountant, and ten members of the village police, including Dafadars (Talukder, 2013). Of those staff, secretaries are appointed under a statutory recruitment system. However, the above statute gives UP the authority to carry out more than 38 activities. These responsibilities may generally be classified into several categories, including civic and public welfare, infrastructures, revenue, development, and judiciary.

9.11.1. Key Findings and Observations on Human Resources of UPs:

- a. A severe lack of available personnel is one of the most significant challenges facing UPs in Bangladesh. Nearly 19.4% of respondents expressed that it has been challenging for them to provide good service to residents owing to a scarcity of sufficient employees. In addition, attempts at resource mobilization are being impeded due to a lack of essential staff. The fact that officials of nine government departments from seven ministries have not yet been put under UPs that is why the smooth functioning of the UPs is hindered since such a scenario causes difficulty with coordination. As a result, the implementation of the My Village My Town commitment will need the recruitment of extra staff with the appropriate level of ability and expertise for the extension of services.
- b. A mismatch between the workload of service providers and the number of people looking for services is another issue that directly results from the shortage of manpower. This issue is causing selected unions to face significant difficulties in carrying out their functions, including the dissemination of information. Recently, the GoB has made an effort to appoint an "accountant cum computer operator" to UPs; nevertheless, there are still 3594 seats of "accountant cum computer operator" that are unfilled, including 10 of chosen unions due to a lawsuit that is currently in court about this matter.
- c. The existing workforce of the selected Union and Upazilla can recognize their issues with mobilizing resources; nevertheless, they have not successfully assessed taxes following the model tax regulations.
- d. The studied UPs have created a database for year-by-year resource mobilization and five-year plans following the directives of LGD and LGSP; however, they have not been able to make a well-planned target of revenue collection, nor have they been able to ensure the collection of the targeted revenue as it is embedded in the budget.
- e. To oversee the process of resource mobilization and budgeting per the recommendations of the 8th FYP, it is required to employ technical personnel.
- f. The Local Government Division has to move more quickly and prudently to implement cutting-edge technology projects that will guarantee people's access to the information they need on the administration of resources and the provision of services. New methods, procedures, and



instruments for disseminating information must be devised and used to accomplish this goal. Sending text and voice messages using a mobile phone is one example of one of these novel forms of communication. In addition, the government must make some efforts toward establishing partnerships with the business sector (Public-Private Partnership).

- g. The following aspects, which often aren't taken into consideration while talking about increasing the capacity of UPs:
- i. Who determines or chooses the various forms of taxation that UPs will implement?
 - ii. Each level of government ought to have its unique tax basis, but is it possible for many levels to share the same tax base?
 - iii. Which branch of government should be responsible for enacting legislation on the tax rate and tax base?
 - iv. Which level of government should be responsible for collecting and administering the tax?
- h. There are many compelling arguments in favor of limiting the authority of UPs to impose new taxes and levies, particularly concerning the types of taxes that may be imposed.
- i. It is anticipated that the chosen UPs would work to mobilize their local resources and improve the surrounding regions, yet, these UPs cannot cover their overhead costs with the money they bring in on their own. Because of this, the government helps UPs by providing a significant share of the salaries paid to staff members and the honoraria paid to elected representatives working under institution heads. According to the research results, 75 per cent of the costs associated with UPs are covered by financial help from the government.
- j. The unwillingness of elected representatives to assess taxes stems from a fear of losing favor among villages, which results in a poor collection of taxes. This fear is the root cause of the problem. Because of this, the UPs need the employment of a full-time tax collector. If the UPs have a permanent tax collector, the general populace will be encouraged to pay their taxes since they will get more acquainted with the system or the person collecting them as time passes. As a direct consequence of this, UPs will become more financially independent.
- k. A lack of effective tax assessment and transportation infrastructure is another challenge that UPs face when mobilizing local resources. This is a problem in addition to a scarcity of people.
- l. Even though the part performed by PU 04 was responsible for initiating the collection of holding tax, UP did not fully use its jurisdiction in raising the tax rate. As a result, there was no change in the amount of taxes collected.
- m. It is necessary to offer training on resource mobilization for elected representatives and other UP functionaries. By participating in such training sessions, they will have the chance to gain additional knowledge about the functional and operational elements of resource mobilization.

On the other hand, the study's findings lend credence to the argument that the process of generating revenue for LGIs in the context of expanding modern civic amenities following particular commitments needs to be restructured to enable local authorities to broaden the tax scope that they are responsible for. In addition, UPs should be granted permission to share their tax bases with other levels of government to produce sufficient revenues for development that are not reliant on any other source. In addition to this, the implementation of steps to curb the power of bureaucracy, de-bureaucratize local institutions, and create a system of local government that is representative is an absolute need (For National vs selected UP's HR capacity, see table-11 in annex-3).



9.11.2 Functional Distribution and RM of UPs

Following the Local Government (Union Parishad) Act of 2009, the UPs are authorized to carry out more than 39 different responsibilities. Despite this, it was discovered that during the fiscal year 2020-21, GUs and PUs spent the most significant number of days travelling to UZP to select, approve, and implement schemes, with a figure of 72 days (34.78%) and 87 days (33.85%), respectively, as the highest number of days spent on this activity. However, they spent only 09 days (4.35%) and 14 days (5.44%) collecting income correspondingly.

Table-12: Functional Distribution and RM of UPs

Functions Emphasized	Pilot Villages Attached Unions	Selected Unions
UZP visit/ the selection and implementation of schemes	*87 (33.85%)	*72 (34.78%)
Registration of births and deaths	*42 (16.34%)	*32 (15.46%)
Sanitation programs (latrines)	*32 (12.45%)	*22 (10.63%)
Social safety net activities	*56 (21.8%)	*50 (24.15%)
Local level revenue collection	*14 (5.44%)	*9 (4.35%)
Maintenance of law and order	*23 (8.9%)	*18 (8.7%)
Monitor and Coordinate the functions and activities of the Union-level officials of the service delivery departments	*2 (0.8%)	*3 (1.44%)
Sending performance report	*1 (0.4%)	*1 (0.5%)
Total	257 (365 days)	207 (365 days)

Insignificant effort was

* Total working days spent

9.12. Analysis UPs Tax Revenue Structure

The Internal Revenue Allocation (IRA) has increased from 20% to 40% due to the Local Government (Union Parishad) Act of 2009, which has helped UPs become more financially stable. Additionally, the scope of the UPs' ability to raise revenue has been expanded. The following six principles were formed under the guideline and rate stated in the Model Tax Schedule, 2003, which was set under the Local Government (Union Parishad) Act, 2009, and are the foundation for which UPs are given the power to assess and collect taxes:



1. The yearly value of the homestead (land and buildings) shall not be subject to a tax rate higher than 7%, except for land and buildings held by religious organizations. The imposition of such a levy does not apply to land used for agricultural purposes.
2. Tax on institutions that are operated as profit-making bodies, such as companies, farms, banks (except for registered cooperatives), and other professions, trades, and callings that fall within the authority of UPs. Taxes will be imposed in terms of an absolute amount ranging from a minimum of BDT 15 to a maximum of BDT 300 under the following four categories: contractors or their agents; private training or educational institutions including coaching centers; private nursing homes (clinics); and the rest professions, trades, and callings. The last category has 93 distinct professions, vocations, and crafts.
3. The tax rate for cinemas, dramatic and theatrical plays will be 10% of the total admission fees collected, with the UPs retaining the right to exclude acts organized for educational or charity reasons from paying the tax rate.
4. The costs associated with obtaining licenses and permissions from the UPs for non-motorized vehicles, conventional carrier boats, and mechanized boats.
5. A 10% tax shall be levied on the admission fees collected at fairs and agricultural and industrial exhibits organized with a commercial purpose in mind, which takes place within the jurisdiction of UPs.
6. The tax for installing a signboard on a private location within the jurisdiction of UPs and on land or a building that UPs hold shall be BDT 5 and BDT 6, respectively, for each square foot.

UPs get the majority of their money from either (a) monies given to them by the central government (a higher level of authority) or (b) funds collected from the area itself. Both of these sources are considered primary revenue sources. Transfer payments are what the term "revenue from own source" refers to, whereas money received from higher levels of government is referred to as "transfer payments." Collecting the funds generated by one's source often takes the form of imposing fees on property registration, issuing various certifications, and other activities.

9.12.1. Observations on UPs Tax Revenue Structure

- a. The findings of the present study conducted by KII revealed that fiscal decentralization and a legislative framework had fostered fiscal responsibility, service delivery, and the mobilization of financial resources.
- b. A smaller proportion of the overall local budget comes from the UPs' revenues. It was determined that the following factors contributed to such a decline:
 - i. An inability to deal with the existing legal, financial, and institutional structures;
 - ii. Obstacles in the way of the block transfer system when it comes to increasing income mobilization;
 - iii. A lack of strong motivation to collect taxes;
 - iv. The unfair method of tax allocations used by UPs;
 - v. Ineffectiveness poor determining the appropriate level of taxation, as well as laxity in the



application of applicable laws for the collection of overdue taxes;

- vi. The inclination of the majority of the wealthiest part of residents to cheat the tax system;
- vii. The tax administration system lacks control, punishments, and accountability.

c. This study reveals that 76% of UP members and 92% of Upazila level officers do not know about sources of local resources; rather, they believe that everything the UPs do is accomplished with funds from the government as grants. d. This study reveals that 76% of UP members and 92% of Upazila level officers do not know the sources of local resources.

d. The definition of holding tax is as follows: "the yearly tax based on the rental value on an immovable property (Land and Building), which also includes union and chowkidar (village police) rate and lumps them together is Holding Tax." The value of this base does not account for agricultural land.

e. Leasing of local Hat-Bazar and Jalmahals are prospective income areas, but regrettably, UPs are collecting little from these revenue sources.

f. The revenue generated by UPs comes mainly from the money collected from issuing trade. Additionally, UPs have a substantial source of money from the fees they receive from fairs, exhibitions, and sports.

g. Even though UPs have the potential to earn money from local resources, the officials of UPs face several challenges when it comes to maintaining those local resources. These challenges include a lack of coordination, non-cooperation from general people, political pressure, and the absence of proper inspection.

9.12.2. Level of Satisfaction on the Major Sources of Revenue for UPs

During the study, a measure of participants' levels of contentment with revenue collection was taken. It was discovered that 93.75 per cent of the respondents were content with the registrations of land and other matters. It was discovered that 87.5 per cent of the respondents were content with the fee for birth registration; - All respondents (100 per cent) expressed their contentment with the fees charged for issuing trade licenses.

On the other hand, the vast majority of those who responded expressed dissatisfaction. According to the table, 78.125% of the respondents were not found to be pleased with the leasing of the market; 62.5% of the respondents were not satisfied with the leasing of the wetland (Jolmohal), and 100% of the respondents were not satisfied with the land transformation charge.

9.13. UP Expenditure for Development Purpose

A comparison of the financial situations of PUs and GUs is shown in graph-9 in annex-3. The amount spent from the unions' development funds is much more than the amount spent from their own-funds in both cases. However, the situation is far direr in the PUs compared to the GUs regarding the amount of money spent from their own-funds. Within the GUs, the maximum contribution of the self-fund to the expenditures is as follows: for GU 02, it is 25.81%, and for GU 04, it is 24.65%. In PU 05, the contribution from self-fund to expenditures may reach a maximum of 17.39% of PUs, but the contribution from self-fund to expenditures can never exceed 15% in any of the other four PUs (**See Graph-9 in annex-3**). Therefore, it is possible to assert with absolute certainty that the dependence of PUs on development funds provided by the government is much greater than that of GUs. When the



claim is evaluated in light of the supporting evidence, it becomes abundantly apparent that it is of the highest urgency to implement policy measures that seek to expand or improve the ability of PUs to attract financial support. The following table provides a breakdown, in terms of *BDT*, of the combined costs incurred by GUs and PUs.

Based on the information provided in table 12 (in annex-3), it is possible to conclude that an average of 91.97% of the total revenue of both GUs and PUs came from external sources, with the BBG contributing 87% of this amount throughout 2020-21. The contribution from local sources, which includes tax income and non-tax revenue, was just 9.03% of the total.

9.14. Resources: Taxes and Fees Collected by the UPs

The primary source of revenue for all of the UPs examined, except for PU 02 and PU 03, was the tax levied on the homestead. In every UP, it was determined that the tax would only apply to residential buildings and properties; however, in very few UPs, the tax is held on some of the lands that are not used for agricultural purposes. There is room for interpretation about how the tax is applied on land that is not used for agricultural purposes. The Union land office did not disclose the facts about the alteration of the land. The performance of UPs is typically satisfactory, particularly regarding establishing and attaining objectives regarding holding tax on residential property.

Many UPs aim for a smaller and more attainable objective, which is why they put their goal at such a low level. This mindset directly results from the goal of demonstrating improved tax collection performance. In addition, the family's income is not even considered while establishing such a goal. On the other hand, it has been found that the revenue performance of specific UPs, in particular PU40, has improved due to getting people interested in open budget meetings (OBM), which have sensitized people to the importance and usage of resources. In addition, OBM performs the function of a social accountability mechanism.

Real property taxes make up 64.53% of the total tax revenues collected, while business and other local taxes account for 21.22%. Non-tax revenues make up 13.8% of the total, with operating and miscellaneous revenue contributing 7.8% and public enterprises and government business operations contributing 6%, respectively (**See Table-13 in annex-3**). There is evidence to suggest that the doubling of the IRA has had a substitutive effect. As a result, rather than making the most of the revenue-raising powers given to them under the act, many UPs have opted to rely on the IRA. They have not exerted as much effort as they should have to collect revenues from local sources. This is because of the substitutive effect.

It was discovered that the manner of tax collection used by PUs is reasonably challenging. In addition, they often lack the knowledge and abilities necessary to operate the present tax assessment system appropriately. On the other hand, several GUs recruited part-time assessors to generate assessments based on the official methodology. These appraisals were based on the official formula. However, in many instances, appropriate tax assessment does not exist.

Counting the number of rooms, types of buildings, and utilities (such as those providing water supply) was the foundation for specific UPs' straightforward method of evaluating properties. In some cases, arbitrary corrections were made to establish a minimum relationship between the final assessment and the formula. These corrections could have been based on the assumption of household income or other reasons.



The assessment was seldom done systematically, and family income or poverty adjustment was never made clearly and openly. Consequently, severe disparities in the assessment system were discovered, which led to a failure to enhance people's faith in the system, which in turn generated a demotivating effect among those individuals to pay their taxes.

The computation has been set up following the Model Tax guidelines. However, there are several irregularities in the results. The following describes each of these:

When a property is subject to a loan or mortgage, the tax assessment for the property often receives a decrease for the interest component. Simply put, this type of funding results in an imbalance of power in the organization. Affluent groups also stand to gain from it because they are more likely to take out loans to finance the construction of their homes. On the other hand, the construction of those homes opens the door for wealthy people to negotiate tax breaks of between 25 and 45 per cent because they are not making money from the house. Therefore, these irregularities need to be rectified if the holding tax continues to serve as the UP's primary income source.

In actuality, none of the UPs adheres to the required evaluation technique. The reasons for this are many and may include a lack of familiarity with the rental value approach, a dearth of relevant data, or the accompanying complexities. In most cases, the final assessment is changed (frequently without any apparent connection to the initial amount) because the homeowners cannot pay it or for some other reason.

It would seem that the assessed value is lower than the actual worth. When the value of the property is high, this will occur. Therefore, even if the official procedure is used, there is still room for skepticism about the legitimacy of the evaluation. Most UPs use a straightforward method, the criteria for which include the number of rooms, their size, the building materials used, and whether or not there is a tube well and toilet facilities. Instead of reflecting the property's true market worth, this arrangement ensures that the financial burden of paying taxes is fairly distributed among all families. However, to apply these criteria consistently, a clear set of standards is necessary, and the process itself must be sufficiently visible.

None of the GUs or PUs was responsible for collecting the following fees and taxes: fees for the approval of building plans; taxes on professions, trades, and businesses; taxes on entertainment, including cinema halls; fees on licenses and permits; fees from transferred water bodies; fees from stone and sand; part of the tax on the transfer of immovable property; fees from marriage registration; fees from stone and sand; part of the tax on land development; fees from fairs, trade shows, and exhibition Both PU1 (36.86%) and GU3 (31.13%) have much greater percentages of other taxes or fees specified by the government.

It is said that modifications are made yearly for newly built and existing homes that have undergone renovations. The creation of registers in the UPs that were observed was either advised using data obtained from surveys carried out by students who had been hired by the UP and supervised by the UP chairman and secretary or on a ward basis by UP members themselves.

It was revealed that some of the records of evaluations were compiled during open meetings in some instances. The method of ensuring transparency and fairness is flawed due to the restricted involvement of individuals in public meetings, even though such compilation of registers assures some degree of openness and fairness. In situations where the ARV technique is used, the applicable tax rate might



increase to a maximum of 7%. In areas that employ the more straightforward approach, the assessment is done per-house basis, which may or may not link with the tax rate applied to the property's yearly rental value.

More than eight kinds of resources that overlap with one another have been found that both the UP and the UZP can deploy in their separate areas. It would seem that the taxable items and model amounts of UPs that are mentioned in the Union Parishad Model Tax Schedule Rules of 2012 are not yet extensively recognized or used by UPs.

In addition, the "Upazila Parishad Revenue Fund Utilization Guidelines" only discuss how the fund should be used and mention how the money should be collected. On the other hand, the government has not yet finished drafting the "Upazila Parishad Model Tax Schedule." If these concerns are not addressed, the problem of jurisdictional overlap may continue to exist in the future. A challenge of this kind would prevent UPs from expanding the scope of resource mobilization and providing communities with improved services.

9.15. Accountability and Transparency through Record Keeping

It is required that each UP maintains a register of all homes, along with information about the property, its owner or occupant, and the home's assessed value. In most cases, these lists were created more than five years ago, and it is about time that they were updated (in one case, the register had not been revised since 1991).

The Potential of Union Parishad Functioning as a Service-Providing Organization for My Village-My Town Special Commitment:

An objective taxing performance of selected unions was carried out as part of this research. The results show that the UP has some considerable potential as a unit of development and service delivery at the local level. The following are some of the most significant possible outcomes:

- a. Under the MVMT obligations, UPs can attract and effectively manage more financial resources, allowing them to launch urban public services in rural regions.
- b. UPs can gather more resources for their development activities thanks to newly developed methods and assigned authority.
- c. UPs can mobilize 'social capital,' which includes women, people of the community, and union facilitators, to ensure 'social accountability' and 'quality assurance of the delivery of services.'
- d. UPs can be more "responsive" to the community's demands and "accountable" to the community as a whole with a suitable community spearhead position.
- e. The quality and durability of UP projects have improved due to the increased degree of community involvement.

The proposed service mapping for the UP under MVMT is attached in Table-14 in annex-4

9.16. Conclusions Drawn on Empirical Data and FGD

The following conclusions have been drawn based on the empirical data and the FGD:

- a. The present nature and quality of the service delivery system in the chosen UPs are not even somewhat satisfying to a sizeable proportion of the residents in those UPs, much alone the considerable majority of those inhabitants.



- b. The UP does not provide some of the services customers most often anticipate. In whatever capacity they may operate, the UP's services do not adequately address the actual need of the local population. Mapping is required to implement a service and should be done following the regulatory framework.
- c. In addition to the availability of resources and technical or management skills, the villagers believe that the integrity, initiatives, commitment, vision, and close engagement of the UP leadership with government agencies are the key factors that affect the quality and nature of the service delivery provided by the UP. This is true regardless of the availability of resources and technical or management skills.

During the FGD, participants were asked for suggestions on how the existing service delivery system in the UP may be improved to meet better the requirements of the My Village My Town projects. As a result of the following being proposed:

- a. To guarantee improved service delivery, increase the available resources while decreasing the outflow.
- b. In light of the political climate, the leadership of the UP has to be persuasive to coerce the Upazila Chairman and the local Member of Parliament into providing more significant resources.
- c. A meaningful engagement and inclusion of community people in project design and resource mobilization might also greatly benefit the UP in terms of improved service delivery.
- d. Engagement with the private sector, more authority, trained staff, and total deputation of GoB employees are all potential additional options that might be thought about to enhance service delivery.
- e. The de facto responsibility for critical public services that now resides with deconcentrated field administration needs to be eliminated and put under the authority of UPs.
- f. For UPs to reap the benefits of utilizing local resources, they need to have the compliance and expertise necessary to use such resources, seeing as how resources are a crucial component of effective service management.
- g. There are just three methods by that UPs have a good chance of accumulating a surplus from their "own source income." They can cut their additional expenses and cultivate new avenues of income.
- h. Their revenue system may be robust because of the many different resources they have, such as forest resources, natural gas, coal, open fisheries, physical and infrastructural resources, and financial resources such as taxes, fees, tolls, and development funds.

9.17. Why is it Necessary to Broaden the Tax Base?

The respondents recognized a low degree of resource mobilization as a significant limiting factor for the chosen UPs. They also believed that it would be reasonably easy to get sufficient funding. It is necessary that all relevant rules and regulations, including the UP manual, be included; the source of imposing a tax on UPs is decided following legislative provisions, and the government is responsible for bearing the pay of officials of- an honorarium for members of- UPs. Even though grants from the government are the primary source of revenue for local governments, the central government cannot provide the necessary funds on an ongoing or as-needed basis. However, the reality on the ground is that the cash collected is not nearly enough to carry out development operations, which means that they are almost entirely reliant on subsidies from the government or additional capacity. Furthermore,



there is no creative or technique that can be used to collect income at the local level since there is minimal interest in tax collecting at the local level. This is true even if local governments were interested in mobilizing additional resources for development reasons.

The elected bodies, for their part, have not made the most efficient use of the revenue base under their purview, which is a failure. A number of the tax items that bring in a significant amount of money are not evaluated or investigated following the regulatory framework. It's possible that boosting the local bodies' income via revenue sharing with the government is the most efficient approach to do so. The rate of taxation that applies to things that are not dependent on income should be raised so that it is higher than the rate of inflation. When it comes to taxes that are based on property, the property's value needs to be changed to more accurately reflect the inflation rate. The current state of affairs regarding the demand for urban services calls for considering various policy measures that broaden the scope of available municipal resources.

9.18. Synergies of Selected UPs within the Budgeting Process

Specific UPs did not adhere strictly to the mandated structure in the 2009 Local Government (Union Parishad) Act on the participatory mechanisms required to complete the financial process. These mechanisms were necessary to exhaust the budgetary process. The Local Government Support Project (LGSP) is providing some stimulus to the UPs to arrange the meetings of Ward Shava (WS) and Open Budget Shava. It has also been learned that the UP Secretaries did not properly preserve and maintain the financial records of the UP, including its income, expenditure, budget copies, list of project beneficiaries, list of implemented projects, list of participants of WS meeting, and resolution of WS and Standing Committee (SC) meetings. This information was discovered. In addition, the following observations were made based on the practices and processes that have transpired as a consequence of the implementation of the Local Government (Union Parishad) Act of 2009:

- a. The leadership attribute of the public representative is a significant factor that shapes and influences the implementation of the budgetary process of UPs, leading to systematic resource mobilization;
- b. Managerial preparation, human resources, and technical competence are recognized as important determinants for budget implementation;
- c. Control and management of resources that influence mandated service delivery play a significant role in implementing the plans;
- d. The leadership attribute of the public representative is a significant factor that shapes and influences the implementation of the budgetary
- e. Rather than participating in the process of local planning and budgeting, citizens have been showing a greater interest in participating in the selection of projects recently. People have shown an interest in having an impact on the decision-making process at the local level as a result of the partial compliance with the relevant requirements as well as the common unity, political education, and awareness that has been fostered. Their ability to participate is reflected by several factors, some of which include: people's spontaneous involvement in decision making; question-answer sessions; open discussion sessions; people's bargaining capacity; people's negotiation skills; people's understanding of budgets and income-expenditure statements; and so on. It has been determined that participatory methods pose a threat to the sociopolitical climate that is currently in place. Because of this, the chairmen are not inclined to use the OBM idea as a method of resource mobilization.



- f. The findings imply that the general public and public representatives are not yet familiar with the comprehensive process of resource mobilization and budgeting for UPs. On the other hand, it has become abundantly clear that planning and budgeting through WS and OBM have lost efficacy due to a lack of resource mobilization from the UPs' sources and dependence on the central government. This is something that has become apparent in recent years. Last but not least, it would appear that UP has been unsuccessful in putting its planned projects into action as identified.
- g. Along with a variety of problems that have arisen as a result of supportive supervision, a lack of human resources, adherence to the authority of Upazilla, negligence of the duties of deputed government officers, a lack of coordination among UP officials, and other factors have been creating impediments in the process of the functioning of various mandated committees. Another finding is that the non-implementation of the model tax rules by UP functionaries has been facilitated by a lack of political education and supervisory oversight. This was found to be the case.
- h. G. UPs aim to foster transparency, accountability, and efficiency in the public institutions operating at the neighborhood level. The UPs, which are implementing various projects under GOB and donor-driven funds, particularly LGSP, have demonstrated some positive intent in organizing planning and budgeting, maintaining transparent accounting systems, maintaining real income expenditure statements, and maintaining collaboration. On the other hand, the traditional administrative culture and the power and authority structures are preventing the LGIs of Bangladesh from operating efficiently.
- i. The state's citizens are less interested in acquiring knowledge regarding rights, the fiscal responsibility of the government, or more comprehensive social policies and more interested in obtaining a small infrastructure project. Additionally, they feel ignored when their demands are unmet, and community group members stop participating in their activities. On the other hand, the failure of these mechanisms is typically attributable to a lack of robust commitment by government officials and political leaders.
- j. The inability of elected representatives to effectively implement the resource mobilization policy on board is hampered by a lack of information, training and education, and professionalism. Large-scale capacity-building programs for the UP functionaries need to be carried out to guarantee that those economically disadvantaged are included in the decision-making process.
- k. These programs include training in village-based social mapping, utilization of IT, dissemination of necessary information, target setting and performance-based rewards in terms of organizing PP and PB, and social mapping through a comprehensive analysis of resources and problems is necessary before the preparation of plans at the WS. k. Social mapping is a prerequisite for the development of plans at the WS.

In addition to addressing vertical fiscal imbalances, two other significant factors could significantly contribute to the implementation of MVMT undertakings: (a) introducing more responsive and accountable governance practices and (b) ensuring that public service provision becomes more viable in rural areas. Both of these factors are important and could significantly contribute to the success of MVMT undertakings. **Under MVMT undertakings, highlighted interventions are required to strengthen governance through:**

- i. **Increased administrative functions**, such as introducing the national integrity strategy, GRS, APA, RTI, SPS, promoting good governance practices and programs, effectiveness and efficiency, accountability, participation, enforcement of master plan transparency and ensuring



the rule of law, etc.;

- ii. **Increased administrative functions**, such as ensuring the rule of law, etc.;
- iii. **The LGI is responsible for the following service delivery functions**: rural water supply and sanitation, waste management, road maintenance, the rural growth centre and markets, the maintenance of community space and recreation facilities, power and energy, health, family planning, electronic pollution, and information and communication technology.
- iv. **Public finance management of LGI**: legal instrument, planning and budgeting (multiyear development plan), allocation of budgets should be well linked, ensure the right to information, adequate coordination with transferred line departments for preparing development plan, and a pleasant inflow of resources.

Increase the capacity to mobilize resources by conducting periodic assessments, expanding the scope of collections, creating standardized training materials, introducing fiscally decentralized incentives and penalties, and developing a block resource transfer formula that considers equity and productivity.

9.19. The Major Issues and Challenges of Local Government Finance

The following is a list of the most significant concerns and difficulties regarding the finances of local governments:

- a. Because of decentralization in the region, the finances of local governments have taken on a greater significance as a topic of discussion; however, the overall fiscal health of local governments has been deteriorating over the past few years.
- ii. The decentralisation process has hindered some local governments' ability to provide newly devolved services. This is primarily because decentralization did not come with the corresponding authority to generate revenue and the capability to carry out the services.
- iii. Even though local governments continue to rely heavily on transfers from the central government, the instability of these transfers as a source of revenue for local governments is caused by the presence of discretionary components in the computation and disbursement of intergovernmental transfers.
- iv. An excessive reliance on transfers from the central government for development expenditures by local governments inhibits the active and voluntary development of essential infrastructures that local communities require to meet their demands.
- v. The local projects that the central government is willing to finance wholly or jointly through grants or subsidized credits are not clearly defined, which may lead to the financing of commercially viable development projects through subsidized credits.
- vi. To encourage local governments to access long-term resources from the private sector and to privatize development projects without further straining local government finances, an external financing strategy should be developed and implemented for local governments.

10. Conclusion

The results of this research demonstrated that the current resource management system at the UP needs considerable revisions for this body to function without external support and become self-sufficient. The present tax collection percentage is dismal, meaning that the state of UP relies on assistance from the national government. This dependence has persisted for ages and only worsens with time since the general population's expectations are constantly growing. Because it contains various provisions for ensuring pro-poor planning and budgeting, as well as ensuring accountability and transparency of the



service delivery, the UP Act of 2009 is considered the most comprehensive act in the history of the country's local government. This is because it was passed in 2009. However, the elements of the legislation that guide resource management need to be rewritten to be effective. In addition to the legislative rules, the reluctance of the people's representatives in collecting and calculating taxes, as well as the unwillingness of the citizens to pay taxes, are two key elements that contribute to the low level of internal resource mobilization by the UP. Therefore, with the experience gained from the MVMT tax structure in mind, the government should emphasise revamping the UP's resource mobilization. This will enable the UP to fulfil the commitment made by the current government to provide contemporary modern amenities and services at the local level.

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Annex-1

Table-1: UPs from piloted areas

No.	Pilot Villages	Union	Upazila	Zilla	Division
PU1	Datinakhali	Burigoanili	Shyamnagar	Satkhira	Khulna
PU2	Chotoharina	Bushanchara	Barkal	Rangamati	Chittagong
PU3	Hafizpur	Chalakchar	Monohhardi	Narsingdi	Dhaka
PU4	Khorrdachampa	Hajinagar	Niamatpur	Naogaon	Rajshahi
PU5	Shimulbak	Shimulbak	Santiganj	Sunamganj	Sylhet

Tabl-2: UPs from non-piloted areas

No.	Selected Unions	Upazila	Zilla	Division
GU1	Bakoljora	Durgapur	Netrokona	Dhaka
GU2	Bichali	Narail Sadar	Narail	Khulna
GU3	Charchandiya	Sonagazi	Feni	Chittagong
GU4	Dhankhali	Kolapara	Patuakhali	Barishal
GU1	Joynogor	Zanjira	Shariatpur	Dhaka

Table-3: Details on how respondents were chosen for inclusion in the study

SN.	Types of Respondents	Targeted Size of the Respondent	Actual Respondent	Method of Data Collection employed	Covid Response
1	Union Parishad Chairman	10	10	Interview	Zoom conference
2	Union Parishad Member (General)	90	70		
3	Union Parishad Member (Reserved)	30	10		



4	Union Parishad Secretary,	10	10	FGD	
5	Others, including 03 UP Account Assistant cum Computer Operators and 07 UDC Entrepreneurs	20	17		
6	Village Police	90	85	Interview	
7	Community People	100	90		
Total		350	292		



Annex-2

Table 04: Functions of Union Parishad

S.	Functions				
1	Preparation of development plan for various tenures, including Five Year Plan Administrative and Financial	15	Tree plantation and preservation, and prevention of theft and destruction of tree resource	29	Prohibiting or regulating the construction of brick, earthenware or other kilns in residential areas
2	Development, preservation and maintenance of rural Infrastructure.	16	Maintenance and operation of cemeteries, crematories, laces, public meeting places and other public properties	30	Undertaking necessary measures to deal with fire, flood, hail storm, earthquakes or other natural calamities and providing round-the-clock assistance to the government
3	Functions related to education and primary and mass education	17	Preventing unauthorized entry into townships, highways and government places and stopping the outbreak and its causes in these places	31	Maintenance of the list of widows, orphans, poor and distressed persons and help them
4	Implementation of functions related to health and family planning.	18	Prevention of damage, destruction or demolishing of townships and highways	32	Development and encouragement of cooperative movement and rural industries
5	The undertaking of necessary actions for agriculture, fisheries, animal husbandry and other economic development.	19	Ensuring collection, removal and management of dung and street litter	33	Adoption of additional food production measures
6	The undertaking of necessary actions for epidemic control and disaster management	20	Regulation of criminal/oppressive and dangerous business	34	Control and maintenance of cattle rust
7	Assessment and levy of tax, fee, toll, fees etc.	21	Removal and control of carcasses and control of	35	Provision of first aid (primary treatment) centers



			animal slaughter		
8	The accomplishment of necessary actions concerning the resolution of family conflicts, and the welfare of women and child	22	Control of new houses, construction and reconstruction of buildings and hazardous buildings in the union	36	Taking other measures necessary for the safety, conform or convenience of the residents of the union
9	Undertaking necessary initiatives and supporting sports, social development, culture and other activities.	23	Management and conservation of wells, waterworks, reservoirs, ponds and other sources of water supply	37	Introduce and encourage e-governance
10	Undertaking necessary initiatives for the development and preservation of the environment.	24	Preventing contamination of drinking water sources and prohibiting the use of water from coops, ponds or other water supplies suspected to be harmful to public health	38	Extension of cooperation with organizations engaged in similar work like Union Parishad
11	Fulfilling the responsibilities assigned by the government and taking necessary activities to protect law and order	25	Prohibiting or restricting bathing, dressing or bathing of animals in or near cisterns, ponds or other water supplies reserved for drinking water	39	Duties imposed by the government from time to time
12	Registration of birth-death	26	Prohibition and control of wetting of hemp, jute or other plants in or near ponds or other places of water supply		
13	Preservation of public places, open spaces, gardens and playgrounds	27	Prohibiting or regulating tanning or tanning of leather within residential areas		
14	Lighting the Union Parishad roads and public places	28	Prohibition and control of soil excavation in residential areas and extraction of stones or other objects.		

Source: The UP Act, 2009.





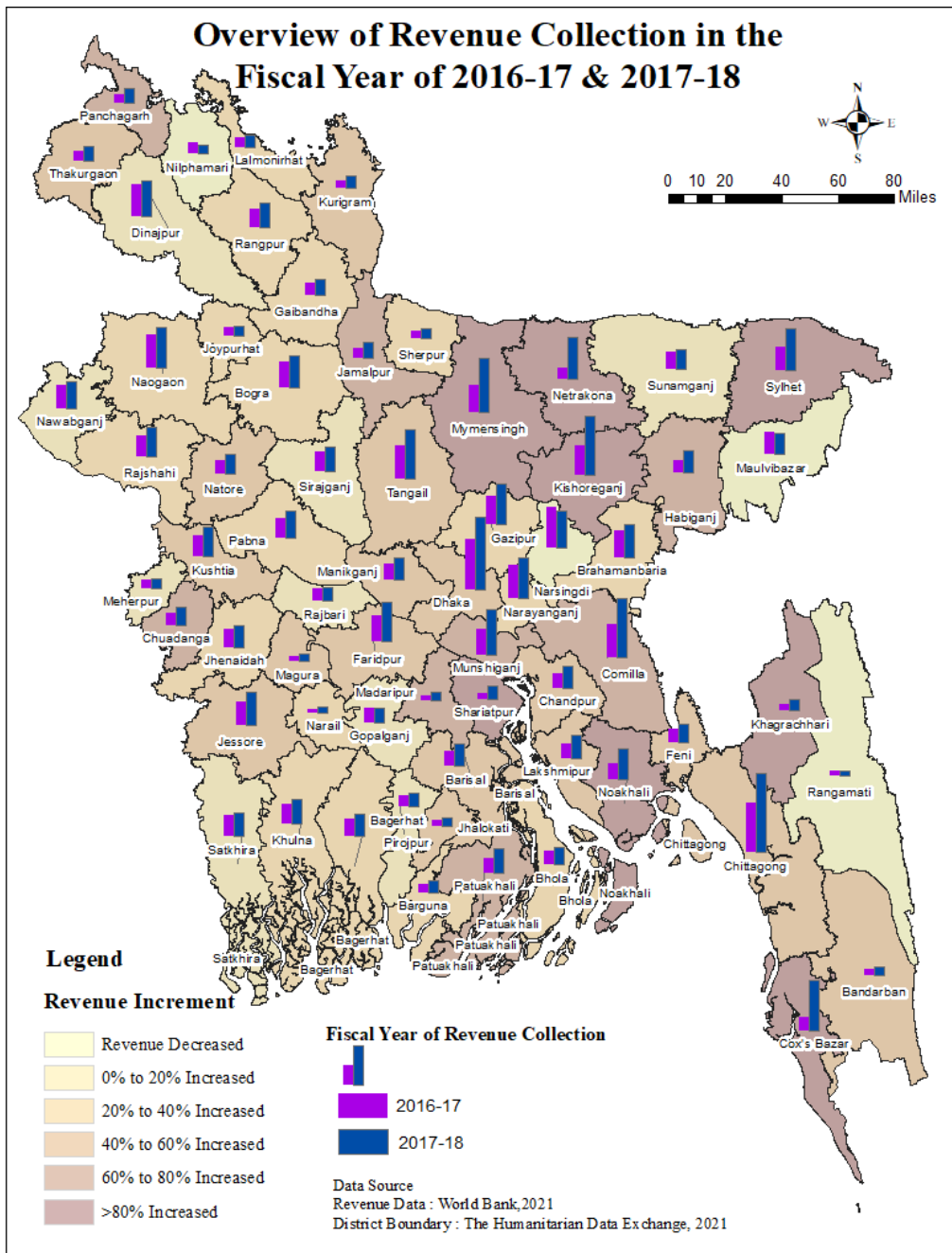
Annex-3

Table-5: Demographic Information of the Selected UPs.

Union	Area	Household	Population			Literacy Rate			Poverty Rate	Poverty Status
			All	Men	Women	All	Men	Women		
GU1	9076	6070	27,588	13,633	13,955	37.8	38.7	37	41.1	Very High
GU2	8142	4589	19349	9633	9716	57.9	62.4	53.4	12.9	Low
GU3	14271	7276	40,592	21,000	19,592	47.8	50.7	45.2	9.6	Very Low
GU4	9948	5859	26073	13025	13048	45.2	46.9	43.6	37.8	High
GU5	3582	3256	14376	6991	7385	48.1	49.9	46.3	20.3	Low
PU1	10651	5760	24913	12237	12676	45.5	51.8	39.4	17.6	low
PU2	49280	3053	16154	8939	7215	45.1	55.2	32.4	44.5	very high
PU3	2446	4540	19421	9295	10126	48.6	48.6	48.6	11.9	very low
PU4	15303	6864	28455	14040	14415	46.3	48.1	44.7	47.8	very high
PU5	9978	5176	29147	14476	14671	26.6	28.2	24.9	20.2	low

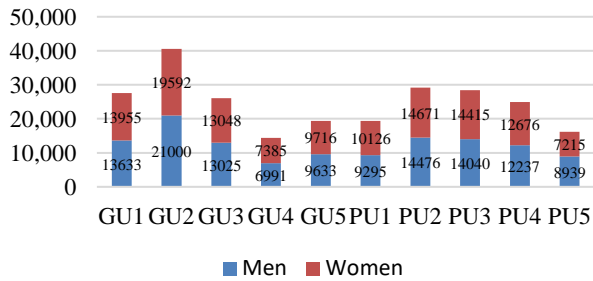


Figure-6: Overview of Revenue Collection in the fiscal year of 2016-17 and 2017-18

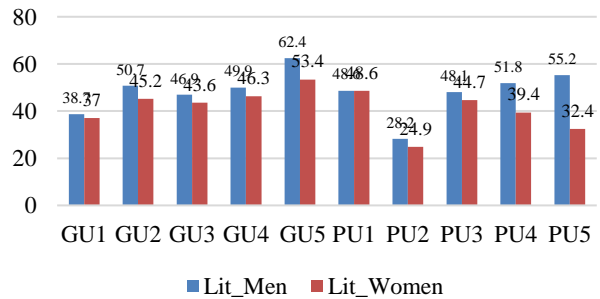


Graph-2, 3, 4, and 8

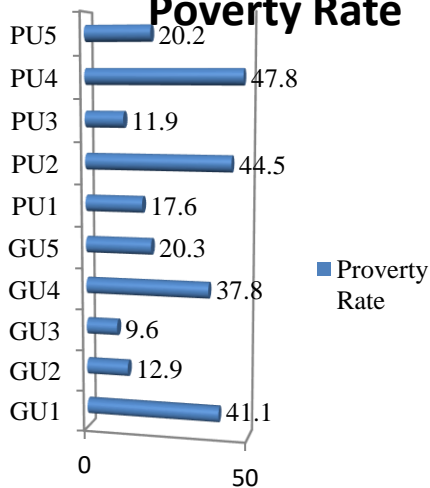
**Graph-2
Population**



**Graph-3
Education (in %)**



**Graph-4
Poverty Rate**



**Graph-8
Income Expenditure ratio**

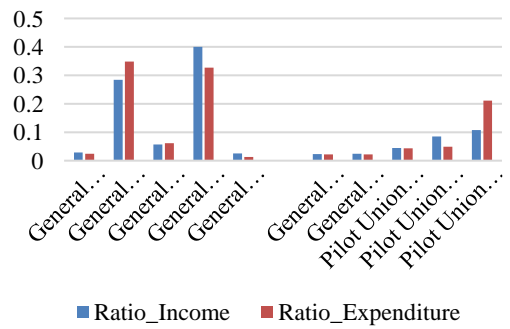


Table-9: Expenditure Scenario of the GUs

		GU1		GU2		GU3		GU4		GU5	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Establishment Cost		174900	37.42	159140	16.02	402800	34.13	320290	2.87	58867	37.05
Development Activity	Communication	44345	9.49	0	0	284350	24.09	2760507	24.3	100000	62.95
	Health	0	0	7600	.76	0	0	1168500	10.45	0	0
	Water Supply	0	0	0	0	0	0	3505500	31.36	0	0
	Education	0	0	0	0	0	0	864500	7.73	0	0
	Natural Resource Management	0	0	0	0	0	0	0	0	0	0
	Agriculture and Marketing	0	0	0	0	0	0	237500	2.13	0	0
	Human Resource Development	0	0	250000	25.17	0	0	2118500	18.95	0	0
	Others	248140	53.09	576650	58.05	493226	41.79	202279	1.81	0	0
	Sanitation and Waste Management	0	0	0	0	0	0	0	0	0	0
Total Cost		467385	100	993390	100	1180376	100	11177576	100	158867	100

Table-10: Expenditure Scenario of Pilot Unions

		PU1		PU2		PU3		PU4		PU5	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
General Establishment Cost		246267	38.45	198000	95.44	124089	26.88	536229	63.043	29136	5.9
Development Activity	Communication	0	0	0	0	235717	51.07	35490	4.17	0	0
	Health	0	0	0	0	0	0	24263	2.85	0	0



	Water Supply	0	0	0	0	0	0	0	0	0	0
	Education	0	0	0	0	0	0	0	0	0	0
	Natural Resource Management	0	0	0	0	0	0	0	0	0	0
	Agriculture and Marketing	108705	16.97	0	0	0	0	0	0	0	0
	Human Resource Development	0		0	0	0	0	0	0	0	0
	Others	285475	44.57	9453	4.55	93530	20.26	254588	29.93	457873	94.
	Sanitation and Waste Management	0	0	0	0	0	0	0	0	0	0
Total Cost		640447	100	207453	100	461586	100	850570	100	487009	100

Table-11 HR Capacity: National vs Selected UPs

Designation	Sanctioned Position	Total Sanctioned Manpower (person)	Existing Manpower	Manpower Shortage	Selected UPs	Vacant
Chairman	1	4567	4560	7	10	-
Ward Member	9	41103	38068	3035	90	3
Female Member (Reserved)	3	13701	1351	12350	30	2
Secretary	1	4567	4473	94	10	-
Accountant cum Computer Operator	1	4567	973*	3594*	0	10



Village police	9-12	41103- 54804	SI	SI	90	15
Village police (Dafadar/)	9-12	41103- 54804	SI	SI	90	-
Village police (Moholladar)	9-12	41103- 54804			90	-
Entrepreneur	Not defined	-	4899	-	10	5

Graph-9: Expenditure for Development Purpose

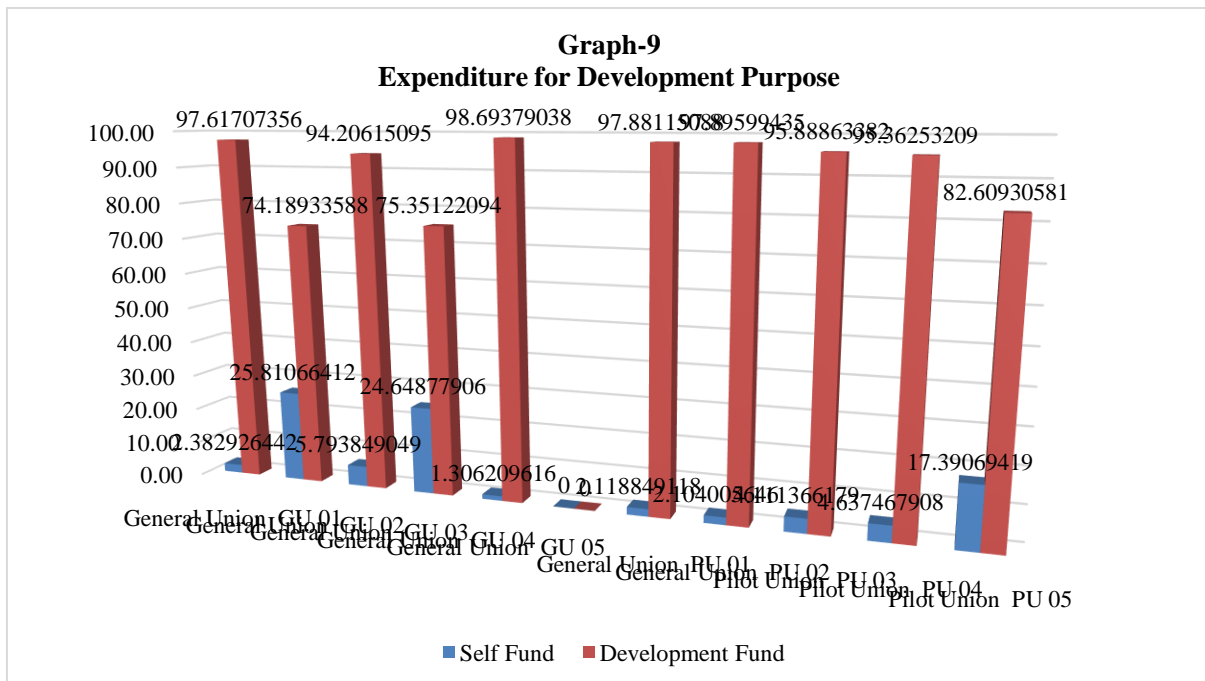


Table-12: Expenditure for Development Purpose (BDT)

Expenditure for Development Purpose (BDT)						
	Self-Fund		Development Fund		Total	
	Amount	Share (%)	Amount	Share (%)		
GU 01	467385	2.38	19146523	97.62	19613908	
GU 02	993390	25.81	2855368	74.19	3848758	
General Union	GU 03	1180376	5.79	19192540	94.21	20372916
	GU 04	11177576	24.65	34169806	75.35	45347382
	GU 05	158867	1.31	12003576	98.69	12162443



	PU 01	640447	2.12	29585726	97.88	30226173					
	PU 02	207453	2.10	9652454	97.90	9859907					
Pilot Union	PU 03	461586	4.11	10765485	95.89	11227071					
	PU 04	850570	4.64	17490689	95.36	18341259					
	PU 05	487009	17.39	2313391	82.61	2800400					

Table-13: Resources: Taxes and Fees Collected by the UPs

Areas of Tax Collection	Tax Schedule	PU1	PU2	PU3	PU4	PU5	GU1	GU2	GU3	GU4	GU5
Tax from homestead/land (annual)	Max 3% on Annual collection	143598 (63.14%)	-	-	652400 (85.03%)	248655 (99.81%)	6500 (35.33%)	175200 (99.99%)	175200 (34.97%)	132647 (33.21%)	140600 (97.80%)
Fees for approval of building plans	Max 1 BDT per sqft	-	-	-	-	-	-	-	-	-	-
Tax on professions, trades and businesses	varies	-	-	123590 (98.00%)	114830 (14.97%)	-	-	-	157970 (31.53%)	266480 (66.72%)	-
Tax on entertainment, including cinema halls	Max 10% on Annual collection	-	-	-	-	-	-	-	-	-	-
Fees on licenses and permits Union/Upazila imposes	Max 200BDT	-	-	-	-	-	-	-	-	-	-
Fees or leases from hats, bazaar, ferry terminals	1% of total lease value	-	-	-	-	-	11900 (64.67%)	-	11900 (2.38%)	-	3168 (2.20%)
Fees from transferred water bodies	-	-	-	-	-	-	-	-	-	-	-
Fees from stone and sand	-	-	-	-	-	-	-	-	-	-	-
Part of immovable property transfer tax	-	-	-	-	-	-	-	-	-	-	-
Fees from marriage registration	-	-	-	-	-	-	-	-	-	-	-



Part of the land development tax	-	-	-	-	-	-	-	-	-	-	-	
Tax on advertisement	10BDT per sqft; 20BDT for lightened advertisement	-	-	-	-	-	-	-	-	-	-	
Tax on street lighting	Max 2% on Annual collection	-	-	-	-	-	-	-	-	-	-	
Fees on fairs, trade shows, and exhibitions by the private sector	-	-	-	-	-	-	-	-	-	-	-	
Other taxes or fees prescribed by the Government	-	83812 (36.86%)	-	3140 (2.48%)	-	461 (.19%)	-	23 (.1%)	(.0)	155982 (31.13%)	248 (.06%)	-
Total		227410	0	126730	767230	249116	18400	175223	501052	399375	143768	



Annex-4: Proposed Service Mapping Under MVMT

Sl no	Development Area	Sector	Services
1	Capacity Building of Local Government Institutions (Union/Upzilla) (Governance)	Public service	<ul style="list-style-type: none"> • Formulation of Upazila Master Plan • Adoption of the government policy framework for the expansion of urban services • Providing all services through the use of information technology • Acquisition and management of innovative resources • Training and augmentation of manpower • Updated Union Resource Center information
2	Technology	Information Technology and	<ul style="list-style-type: none"> • Broadband internet facility • Development of information and technology infrastructure (e-commerce, e-Governance, e-Health) • Alokita Udyan – Free Wi-Fi hot zone for students at specific locations
3	Resources	Natural Resources	<ul style="list-style-type: none"> • Land use and adjustment • Technology-based land records and mutation • Availability of water
		Increase in financial resources	<ul style="list-style-type: none"> • Extension of advanced technology and knowledge in agriculture, fisheries and animal husbandry, the introduction of solar irrigation pumps and synchronized farming
		Human Resources	<ul style="list-style-type: none"> • Providing trade-based skill development training to youth and women • Leadership and income generation through the formation of rural groups • Entrepreneur development • Establishing industrial linkages for employment of unemployed youth and women
4		Essential Services	Health Services



Sl no	Development Area	Sector	Services
	Rural Livelihood Development Services		<ul style="list-style-type: none"> • Ensuring quality health services in community clinics • Health Checkup/Telemedicine, Smart Ambulance (Locally Engineered) • Referral health services • Health data bank development • Monthly health checkups
			<p>Improving the quality of education</p> <ul style="list-style-type: none"> • Teachers, Education Supervisors, classroom enhancement • E-learning, tab supply, virtual classroom • Use of NLP-based AI Engine • Supply and use of Raspberry
			<p>Electricity, Fuel and Energy</p> <ul style="list-style-type: none"> • Guaranteed 100% standard power supply • Increasing use of solar power • Alternative Fuel (Friendly oven) Supply
		Economic services	<ul style="list-style-type: none"> • Establishment of banks and financial institutions
		Rural communication	<ul style="list-style-type: none"> • Road development • Construction of drains • Construction of bridges and culverts • Installation of road lights • Construction of Village Defense Dam • Pavement on dam
		Growth center and market development	<ul style="list-style-type: none"> • Development of Growth Center and Hat Bazar, • Setting up of Agricultural Produce Collection Centers • Establishing linkages with agricultural produce procurement and retailers • E-commerce



Sl no	Development Area	Sector	Services
		Rural Water Supply and Sanitation	<ul style="list-style-type: none"> • Mini piped water supply • Installation of hand tube wells • Installation of Twin Pit Lattin
		Waste management	<ul style="list-style-type: none"> • Construction of waste management infrastructure at Upazilla/Union/Community level • Encompassing the business model • Expansion of market-centric waste management
		Community space and recreation	<ul style="list-style-type: none"> • Development of playgrounds in educational institutions • Upazila multipurpose sports complex set up • Creation of public spaces/green spaces around reservoirs/rivers/underutilized roads on rural roads
		Rural Housing	<ul style="list-style-type: none"> • On a partnership basis, construction of rural housing as per designs recommended and approved in the survey and using eco-friendly materials (e.g., Autoclaved Aerated Concrete).
5	Tourism	Village branding	<ul style="list-style-type: none"> • Introduction of QR code for each village and dissemination of accurate and timely information through it • Construction of tourism infrastructure/expansion of facilities • Creation of village branding platform • Promotion of culture and heritage • Highlighting the glorious history of the local liberation war

