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GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
Ministry of Planning
Implementation Monitoring and Evaluation Division
Sher-E-Bangla Nagar, Dhaka-1207.



Final Report
ON
In-depth Monitoring
OF
Local Governance Support Project

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Executive Summary



1. The Local Government Division (LGD) has been involved in piloting a number of successful initiatives on fiscal decentralization and local government reform such as the “Serajgonj Local Governance Development Project (SLGDP) and the “Participatory Rural Development Project (PRDP)”. The pilot initiatives demonstrated that the local governments have the potential to ensure greater financial responsibility and more effective service delivery involving the community in the decision making process in planning, implementations and monitoring.
2. The GOB has identified strengthening local government as a key strategy for improving the quality of service and addressing Millennium Development Goal targets for reducing poverty. In the line, government is keen to provide more responsibilities to the local government bodies, specially to the UPs for efficient implementation of development activities at the local level.
3. Evidences suggest that efficient monitoring both by the programme implementers as well as community members can largely contribute to the improvement of the UPs performance as well as ensure transparency and accountability of the UPs to the community.
4. The Local Government Division has undertaken the “Local Governance Support Project”(LGSP) with the purpose to create an accountable and efficient local government to implement the development activities for the rural people on the basis of their need and preference and to increase the effectiveness and quality of services of the Union Parishads. GOB, the World Bank and UNDP/UNCDF (with EC co-financing) have been working together in a harmonized way to implement LGSP.

5. The objective of the project is to strengthen the mandate and responsibilities of local government institutions (LGIs) to address poverty for institutionalizing fiscal transfers, local revenue mobilization, community participation, accountability and monitoring.
6. The LGSP is a multiphase and multidimensional intervention of the government towards strengthening local government institutions in the grass-root level and human resource development involving beneficiaries directly and indirectly. As a result information and data from different levels were necessary. So both primary and secondary data were collected from different levels and used in the report.
7. LGSP is being implemented by the Monitoring Inspection and Evaluation (MIE) Wing of the Local Government Division. Director General of the Wing has been designated to act as NPD. Other agencies involved, includes – CAG, NILG, LGED and DPHE. The NPD is responsible for MIE wing and planning wing of the LGD. There is no provision for full-time manpower in DPP and no independent & separate office for the project.
8. According to the DPP total cost of the project has been estimated to Tk. 142146.90 lakh of which GOB Tk. 54096.00 lakhs & P.A. 88050.90 lakhs. Implementation of the project started with effect from July,2006. According to the reports received, Tk. 72310.32 lakhs has been spent upto April, 2010 and cumulative financial and physical progress achieved 51% and 50% respectively. It would be difficult to utilize the remaining amount of the estimated cost of DPP and achieve full progress of the project as planned by June, 2011.

9. Project Component 1 : Fiscal Transfers, of the six main project components, being the prime one, is being supported in two forms—(i) Unconditional Expanded Block Grant(EBG) and (ii) Performance Grant. The EBG has to be transparently allocated through a simple population based formula with a minimum allocation to protect small UPs. The EBG to be disbursed in two equal installments in July and January of each financial year to UPs having clean audit observation and fulfilling the other eligibility criteria. UPs have, full discretion to allocate and spend funds in accordance with their budgets and plans based on participatory planning. The other form Performance Grant has been discontinued from the programme target.
10. Component 2 : Accountability : This component was intended to strengthen the downward and upward accountability of UPs. A key element of this has been the use of independent financial audits of UPs by firms of chartered accountants as a condition for UPs to access EGGs. This has been one of the most innovative aspects of LGSP. So far out of 4498 UPs 3370 have been audited by independent audit firms and 3350 UPs have been enrolled for EBG after audit clearance.
11. Component 3 Capacity Building : By April, 2010 under capacity building component, 49414 (excluding 5518 who got one day's orientation) different categories of trainees from UP level to the District level have received training of 3 to 5 days duration which is 68% of the total target. But according to the information received from the fields, it is observed that many of the trainees received 2-3 days training out of 5 days duration. Contents and quality of the training was not also very satisfactory. Some aspects like scheme formulation, planning, budgeting and procurement were almost absent. Under "Capacity Building" component an important aspect is IEC activities to educate and motivate people about LGSP programme implementation and its benefits. But the position of IEC Specialist

(Consultant) is vacant. It was learnt from NPD office that in 2007-08 one Specialist on IEC was employed for only one year. Now there is virtually no IEC activity under the project. This activity should have been implemented throughout the project period to inform, educate and, at large, motivate the people in all levels.

12. Component 4 : Performance Review Policy Development : Performance review and policy development has to be covered three major areas – (i) formal evaluation of the effects of the block grant. (ii) evaluation of the decentralization efforts, and (iii) building capacity of MLGRDRC to make use of wide variety of data for policy choices. But upto now not much progress has yet been made in this except a baseline survey carried out under the project. Its result has yet to be made available for policy analysis and future programming.
13. Component 5 : Social Protection Pilot : The “Social Protection Pilot” component was designed to provide an useful opportunity to pilot UP led approaches to the administration of social safety-net programmes. But it is learnt that, in agreement with the DPs, this component has been dropped from the project. As an important one, this needs to be reviewed.
14. Component 6 : Learning and Innovation Component : LIC would focus on testing pilots in areas such as UP planning and budgeting, own source revenue generation and developing and testing criteria for performance based grants so that these can be potentially mainstreamed under a follow up LGSP programme. LIC is being supported by UNDP/UNCDF/EC. It would operate at two levels – (i) within 6 LIC districts, and (ii) at the national level it would support LGD’s capacity so as to feed this learning in to other LGSP components and ensure overall coordination. On having same preliminary

delays, LIC is now in operation in selected UPs of six districts (Sirajgonj, Narsingdi, Feni, Satkhira, and Barguna). Till now there has been very weak coordination between LIC and other components of LGSP.

15. On a review of the item-wise progress it is found that at least in ten activities, so far, no progress have yet been achieved. On the other hand at least two important activities have already been exceeded the DPP cost. So all those items are needed for adjustment.
16. There is a provision in the DPP to employ 51 short and long term consultants (including 21 support staff) for which Tk. 2475.87 lakhs has been allocated. But the Government (Finance Division) sanctioned 46 positions including 20 support staff. As per list supplied by the NPD office, 33 post have so far been filled up and 13 posts are still vacant. An analysis of the DPP provision and the list supplied by the NPD of the consultants, it can be concluded that the project implementation largely depends on consultants.
17. At mid and local level DDEG, UNO and UPs are involved in the process of supervision and monitoring with reporting obligation. But upto now no such involvement have been seen in the field level except UPs.
18. Under the project the procurement arrangement have been divided into two parts : (i) procurement at the central level by LGD and NILG, and (ii) at the UP level. So far out of 185 packages on service procurement, 70 found to be completed, 11 under process, 35 dropped and 69 are on-going. Of the 50 goods procurement packages, 11 found to be completed, 6 dropped and remaining 33 are under processing. For local level procurement, the guideline given in the UP Operational Manual are being followed. But there are some inconsistencies in the manual. These are- (i) HOPE have not been defined,

- (ii) latest delegation of financial power seemed to be not followed in the approval process (iii) Committees suggested in the UP Manual is not in consistent with regulation -8 of PPR,2008. Those need to be rectified in consultation with CPTU of IMED.
19. From the field level data have been collected from 10 UPs under selected 10 Upazilas of 10 Districts which covered six Administrative Divisions of the country. The sample size is quite insignificant in comparison to 3350 UPs, where project activities are currently going on, out of the total 4498 UPs of the country.
20. So far, LGSP has shown a good achievement in preparation and circulation of the UP Operational Manuals. There are two types of Manuals - one for all LGSP districts and another for LIC districts. Both the Operational Manuals are well written in Bengali and easily communicable. Preparation of the Manuals took two and a half years after launching of the LGSP. Both the Manuals have been circulated in UPs and Upazilas with other respective stakeholders in January,2009. The Manuals have been found in all UPs and Upazilas during field visit. But it is observed that the Manuals are not being followed properly.
21. One of the main objective for circulating the UP Manuals is to ensure involvement of the local people in the process of budgeting, selection of schemes, expanded participation of the local people with the development process, educate and motivate the people for participatory development. So (IEC) activities in the project should have been continued throughout the project period.

22. The UPs should have notice board in the UP office to display the list of the ongoing and new schemes. There should also be sign board at the scheme sites. During field visits, except very few, neither notice board was found in the UP office, nor at the scheme sites.
23. LGSP Block Grant is to be available to UPs in two installments; 1st tranche by July and 2nd tranche by January. In FY2009-2010 during field visit, it was found that by may, 20,2010 the UPs did not receive 2nd tranche fund in their respective bank accounts. Delay in receiving fund causes delay in taking schemes implementation and that creates other related problems. It is learnt from NPD office that delay occurred due to late receipt of half yearly reports from UPs.
24. Each UP has its own sources of revenue mobilization. The sources are mainly: Chawkidari tax, Licence fees, Khaya permit, Khoyar, Certificate fees, Hat-bazar lease, Land transfer fee, Jalmohals, Balumahals, Rent from properties, etc. It is observed that there is a wide variation of local revenue mobilization in comparison to the total fund available to the UPs. 1-2 head of items make the difference. For example, UPs close to Urban areas where land cost is very high receive a big sum of revenue from land transfer fees. However, UPs have to increase their own revenue mobilization exploring different ways as per existing procedures.
25. Most UPs have some manpower, other than elected representatives, like a Secretary and nine gram-polices. The work load have increased in manifolds due to inclusion in the LGSP programme and rise of the size of total funds available from various sources. So UPs need assistance in keeping accounts and some other activities. An Account Assistant with computer knowledge would to suitable for the UPs.

26. In FY2010-2011 about 1148 UPs are going to get LGSP fund fulfilling the eligibility criteria. These UPs getting only one year for execution LGSP programme. Study shows that the UPs those have been involved implementing LGSP programme for 3 years are still not properly following the guidelines as mentioned in the UP Operational Manual and could not really have made desired impression of approaching towards strengthening governance in UP level.
27. There is a wide range of variation of monthly income of the households in the UPs ranging from Tk. 2,000.00 to Tk. 40,000.00. The income of every household has been increased from FY 2005-06 to FY 2009-10. It is not possible to say that this incremental income accrued due to the LGSP. The reason is that there are many other funds available to the UPs to create jobs for the poor. Of course LGSP fund is mainly used in constructing pro-poor infrastructures that create jobs for the poor and increase their income.
28. Out of 60 beneficiaries interviewed, 20 gave information on tax payment. It was found that 55% household pay tax ranging from Tk. 20.00 to Tk. 50.00, 30% pay ranging from Tk, 51.00 to Tk. 157.00 and 15% do not pay any tax. According to the data collected from the field it is found that nobody pay tax in the Hiltract District, Bandarban. Another important point to be noted here is that the households pay taxes so less in comparison to their income that it needs to be addressed properly. The average tax payment is only Tk.0.05 per hundred taka income. It is observed that those who earn much pay less and those who earn less pay much in comparison.

29. During field visits some schemes have been inspected by the consultants. It has been observed that, in the mean time, the UPs have earned the capacity to absorb more funds for implementation of the labour based development schemes. But in many cases quality of works done are questionable. Some schemes found incomplete, some not done according to proper design or without design. In one UP, LGSP fund was utilized in constructing partial roof and brick work of a to be established, private college though there exists a private college nearby. In another UP a considerable portion of project fund utilized in constructing roof of the existing UP office building. These are not good examples for spending LGSP fund.

Chapter – 7: Recommendation

- 7.1. For proper execution of LGSP, an independent project management set-up headed by a full time NPD should be created. At least for the remaining period of the project two posts of deputies with supporting staff may be appointed keeping provision is the DPP. Dependency on the consultants may be minimized.
- 7.2. Supervision and monitoring particularly in the UP level must be ensured. For this purpose a set-up may be created within the project management District and Upazila level respective officials should actively be involved in the process with regular reporting obligation.
- 7.3. The project needs revision for continuation of its operation in all 4498 UPs for a considerable period. It is necessary to adjust the overspend work components and the unused items by the competent authority so that proper utilization of fund and achievement of objective can be ensured.
- 7.4. The office of the DDLG at District level and UNO at Upazila level should be activated. Offices of the DDLG in district level need to be manned properly so that it can co-ordinate properly with Upazilas and other authorities actively.
- 7.5. Timely disposal of the procurement packages in central level should be expedited without any further delay. The inconsistencies in the UP Operational Manual on procurement may be eliminated in consultation with CPTU, IMED.
- 7.6. Proper training on planning, budgeting, financial management and procurement have to be ensured for UP officials and others related to LGSP. Five days training should not be concluded in 2/3 days time.

- 7.7. To include the remaining 1148 UPs in LGSP, the audit process should be expedited so that no single UP is left out of the project. These UPs needs to be given some more time to adjust with the LGSP process after inclusion.
- 7.8. Formation of BGCC and its proper functioning must be ensured. There is a provision in the DPP for funding BGCC reviews. A mechanism needs to be made for this purpose.
- 7.9. To strengthen governance in the UPs a system should be developed, so that each and every fund available to the UPs need community involvement for transparency and accountability in the line of LGSP.
- 7.10. Community involvement in scheme selection and budgeting must be ensured by proper holding of public meetings as per UP Manual. IEC activities under the project should be continued throughout the project period.
- 7.11. Notice Board in the UP office and Sign-board at the scheme sites should be placed for displaying relevant things for the community. This may be made compulsory for all the UPs.
- 7.12. The UPs should ensure existing tax/revenue collection and explore sources for more revenue earnings locally, so that dependency on outside fund can be minimized gradually .
- 7.13. For proper functioning an Account's Assistant with computer skill needs to be placed in every UP. Implementation of government decision in this regard may be expedited.
- 7.14. Timely placement of Block Grant Fund should be ensured . Every UP needs to be informed in advance about the allocation sent to the respective bank account.