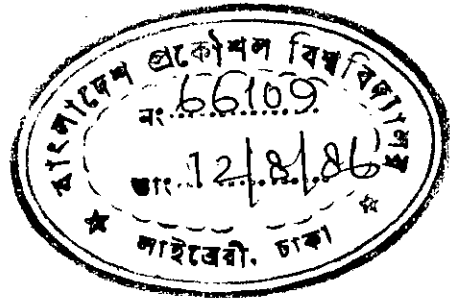
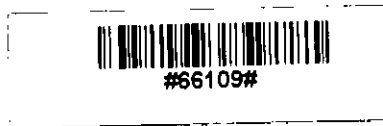


LOCAL RESOURCE MOBILISATION IN SELECTED POURASHAVAS
OF BANGLADESH - PROSPECTS AND POTENTIALS

A THESIS

SUBMITTED TO THE DEPARTMENT OF URBAN AND REGIONAL PLANNING,
BANGLADESH UNIVERSITY OF ENGINEERING AND TECHNOLOGY, DHAKA,
IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

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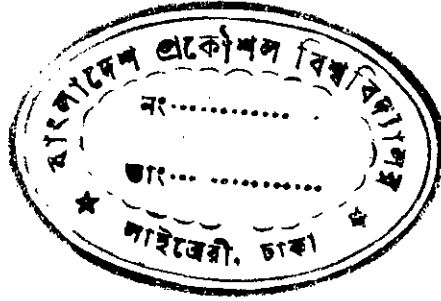
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DEPARTMENT OF URBAN AND REGIONAL PLANNING
BANGLADESH UNIVERSITY OF ENGINEERING AND TECHNOLOGY,
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MY DEPARTED FATHER

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ABSTRACT

Pourashavas in Bangladesh are faced with increasing financial problems. Lack of revenue constraints the urban governments to undertake development works of badly needed infrastructure and utility services and maintain the existing ones at satisfactory level. Strengthening of financial position of these governments is necessary to improve urban living conditions and reduce pressures on the national budget.

The present study is aimed at exploring the possibility of mobilising additional local resources from the Pourashavas. Four Pourashavas were sampled out for in-depth study. The research came out with results that indicate that there is scope for greater resource mobilisation from the urban areas of Bangladesh. The Pourashavas can generate much more resource from land based taxes by correcting valuation of property and timely collections. Also, there lies scope for increased resources from business and activity based taxes and through maximisation of income from own property by putting those in their best possible uses. Government grant can also be used to help generate local resources if a portion of it is disbursed on the basis of revenue collection performances.

The major problems which hinder larger resource mobilisation are, poor assessment and collection of holding tax, under valuation of property during transfer, inelasticity of revenue from business taxes, lack of training of employees, poor administration, and incomplete record-keeping.

Title of the Thesis:

Local Resource Mobilisation in Selected Pourashavas of Bangladesh - Prospects and Potentials

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LIST OF ABBREVIATIONS

ADP	: Annual Development Programme
BBS	: Bangladesh Bureau of Statistics
DDB	: Divisional Development Board
DPHE	: Department of Public Health Engineering
DW	: Distress Warrant
GDP	: Gross Domestic Product
IPTT	: Immovable Property Transfer Tax
MLGRDC	: Ministry of Local government, Rural Development and Cooperatives
MLARL	: Ministry of Land Administration and Land Reforms
RDDB	: Rajshahi Divisional Development Board
SDA	: Special Development Assistance
UDD	: URBAN Development Directorate
UNCHS	: United Nations Centre for Human Settlements
UNDP	: United Nations Development programme
UWP	: Urban Works Programme
WP	: Works Programme

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1. INTRODUCTION

1.1 The Problem



Public financial management is undertaken in both state and local levels. There is no clear-cut pattern in management between these two tiers in the global context. Even it is difficult to distinguish between them in a country or region or between two points of time within the same jurisdiction. Changing circumstances change the limits of these two concepts and even the limits cannot be ascertained in a place where overlappings are most common.

Pourashavas are one of the tiers of local governments in Bangladesh. There is both cooperation as well as separation of activities between the Pourashavas and the central government in regards administration, financial management, maintenance of law and order, preservation of environment, maintenance of health, education and recreation facilities, development of infrastructure etc. The present order of responsibility sharing has been maintained in the country for a long time. The present conditions in the Pourashavas require some serious attention since these local governments are unable to maintain a satisfactory standard of civic facilities, cannot mobilise resources

at the required level and cannot impose taxes and rates at anywhere near the official rates. These three problems necessitates research into these areas for finding solutions. Research may be directed along two lines -- for a new relationship between the centre and the local entities regarding responsibility sharing and resource generation and for looking into new sources of financing and using existing tax and revenue devices more intensively keeping the present arrangement unchanged.

The author is interested in the second line of research. However, he believes that an optimal solution may only be given after proper assessment of the whole gamut of affairs related to local governments in Bangladesh. Pourashavas are one of the local bodies and issues related to finance of these bodies are important part of the whole body of knowledge in this regard. The present thesis is an attempt to contribute to that effort. In particular, it will examine the financial aspects of several Pourashavas of Bangladesh, specially dealing with the major sources of revenues, including central grant.

1.2 Need for Pourashava Resource Generation

Bangladesh, for more than three decades followed a process of top-down planning for accelerating the pace of economic growth. Within the framework of a strong centrally controlled economy, functioned some local governments at different levels because these were necessary mostly to maintain the democratic atmosphere in the country and less importantly to siphon off resources from direct taxes. In the urban areas resource generation was easier because of greater degree of monetisation and because the wealthier groups resided there who had a lower marginal utility of income. The need for resources is also more in urban areas where costly public services are to be provided for the inhabitants both for reasons of better hygiene and for helping these prosper as growth centres. The recipients of the benefits of these are mostly the permanent settlers of these areas. Also the benefits are due to the temporary citizens and the commuters who equally receive the opportunities of better employment, better transport and recreation facilities, profitable scope for buying and selling their products, health and education facilities etc. For these the town people are more liable to be benefit charged than the people of lowly served areas:

From such an observation the need for resource mobilisation at the urban areas become conclusive. The question here is who to supply the services to the urban dwellers and who to collect the benefit charges from them. The central government can directly take these responsibilities, an urban autonomous body can also do it, and also the dual support of these two can help the local bodies. If we look around the world to select from these three alternatives we find that the third one is the most suitable as in most cities and towns throughout, except the East European countries, maintain a government grant programme for their urban areas to supplement own resources.

In Bangladesh also, a grant-in-aid programme has been in effect for more than hundred years to keep the urban people reasonably serviced with road, conservancy, water and light. Statutes clearly limits the jurisdictions of local bodies giving certain powers of direct taxation from a number of avenues. Within the bounds of statutorily limited rates can the Pourashavas levy taxes on land and buildings, shops, vehicles, animals, markets, ferries, can collect license fee and can earn rents from own land and buildings. Records show that two or three types of taxes and two types of rates earned the Pourashavas most of their own income. Less than a quarter of

their earnings came from central government grant till 1980-81. The recent rise of the share of grants is due to a new government grant, that is Octroi compensation grant. Table 1 gives the percentage share of major taxes, rates and grants in total revenue in 45 Pourashavas of Bangladesh in 1982-83.

The question of urban local resource generation recently received added importance for several reasons. These are, the need to reduce dependency on foreign assistance,^{1/} the need to reduce dependency from central budget in the situation of acute constraints on its resources,^{2/} the need to maintain fast deteriorating public services,^{3/} the necessity of a modern conservancy system in the urban areas and above all on the recent government emphasis on local level planning that would provide autonomy for greater resource mobilisation.^{4/}

Pourashavas in Bangladesh depend heavily on the contribution of central government, which again depends heavily on foreign aid. If local resources are mobilised at a higher level, both this dependence can be reduced, ensuring freedom of action at the lower levels. Larger volumes of resources will keep the urban services at a better state and would help further resource generation easier as at that level people will be eager to pay taxes regularly and at higher

TABLE 1
SOURCES OF REVENUE IN 45 POURASHAVAS OF BANGLADESH
IN THE YEAR 1982-83

Sources of Revenue	Revenue (in Lakh Taka)	Percentage of Inter- nal Revenue	Percentage of Total Revenue
Taxes			
Valuation of Property	754.85	17.87	11.95
Transfer of Property	136.43	3.23	2.16
Profession and Trade	62.93	1.49	1.00
Entertainments	86.98	2.05	1.38
Vehicles	32.13	0.76	0.51
Rates			
Conservancy	217.52	5.15	3.44
Lighting	210.77	4.99	3.34
Water	48.03	1.14	0.76
Fees			
Haats and Bazaars	220.94	5.23	3.50
Other Fees	323.55	7.66	5.12
<u>All other own incomes</u>	2128.90	50.41	33.70
<u>Total Internal Revenue</u>	4223.03	100.00	66.85
<u>Total Govt. Grants</u>	2093.88	-	33.15
<u>Total Revenue</u>	6316.91		100.00

Source: Computed by the author from Pourashava records collected from the M/O LG and RD, Dhaka.

Note : These 45 include Dhaka Chittagong, Rajshahi, Khulna, Tongi, Narayanganj, Mymensingh, Tangail, Comilla Noakhali, Pabna, Bogra, Dinajpur, Jessore, Barisal, Brahmanbaria, Sirajganj, Rangamati, Mohanganj, Sherpur, Gopalganj, Cox's Bazar, Bhola, Borguna, Jhalakati, Pirojpur, Choumuhuni, Lakhipur, Moulvibazar, Sreemongal, Nawabganj, Sherpur, Gaibandha, Syedpur, Thakurgaon, Mongla Port, Moheshpur, Magura and Meherpur Pourshavas.

rates. The present inefficient and sub-standard nature of local services can surely to a large extent be attributed to the dire paucity of funds at the disposal of Pourashavas. None of the secondary cities^{5/} of Bangladesh has reached anywhere near a decent level of civic development. Utilising fully local revenue-raising powers and tying of grants to local resource mobilisation performances may bring about an improvement in public utility systems within a short period.

Urbanisation for Bangladesh is a recent phenomenon. the percentage of total population living in urban areas was only 4.4 per cent in 1951. The percentage increased to 5.2 in 1961 and 15.7 in 1981. With the growth of urban population the number of urban centres has also increased. While in 1947 there were 49 municipalities in the country, presently there are 84 Pourashavas and 3 Municipal Corporations. Between 1974 and 1981, the urban population grew at an average annual rate of 11 per cent, one of the highest rate in the world.^{6/} The World Bank projects the urban population in Bangladesh to be 26 per cent of total population, that is 37 million in the year 2000 [World Bank: 1985].^{7/} Such a rapid rate of urbanisation requires special attention for Bangladesh for many reasons like the creation of

employment opportunities for urban migrants, the creation of urban facilities like housing, transportation, sanitation, light, water, conservancy, and proper maintenance of these, for law and order situation, for creation of educational facilities etc. All these require heavy investment in infrastructure building. Resources should be generated and capacities created in advance to avoid pollution and inconveniences for the growing population. This is a most urgent task for the largest cities while also important for the secondary cities.

Real per capita revenue for the Pourashavas are not growing as revenue sources are not responsive to inflation and increased economic activities and due to slow growth of central grant. In one of the studies it has been found that in 15 Pourashavas of Bangladesh which included Dhaka, Chittagong, Khulna, Comilla, Jessore, Tongi, Sylhet and eight other Pourashavas, total revenue per capita in terms of 1976-77 Taka declined from 19.45 to 17.53 within the period 1976/77 - 1980/81 [Schroeder and Maniruzzaman: 1983: 69]. Of course, according to Bureau of Statics figures, total revenue of all the Pourashavas of Bangladesh, at constant 1972/73 prices show an increase from 10.5 crore Taka in 1975-76 to 15.6 crore Taka in 1981-82.^{7/} However, despite revenue growth in real

terms, the performance of the Pourashavas in regards resource mobilisation cannot be considered as satisfactory. Most of the Pourashavas collect much below their projected levels of revenue. For example, Dhaka Pourashava collected on an average 42.82 per cent of its demand of holding tax over the period 1964-65 and 1973-74 and the rate fluctuated between 29.85 per cent and 58.77 per cent per annum within this period [Alam: 1977: 32]. In 1969-70, the total tax collection of 63 Pourashavas were only 32.07 per cent of the total demand for these Pourashavas.^{8/} Within the period, 1975/76 - 1984/85, four Pourashavas, that is, Bogra, Comilla, Patuakhali and Tangail collected on average 63%, 29%, 51% and 37% respectively of their demanded holding taxes.^{9/}

The urban areas of Bangladesh can broadly be divided into three groups -- large or principal, medium or secondary and small. The municipal corporations and two or three other fall into the first group, the old district headquarters in the second group and other urban centres in the last group. Of these, the second category of cities is most interesting to the researchers in the developing countries for three reasons -- the greatest future potentiality as growth centres, for balanced development of the

country and for reducing dependency from the capital city. This importance of medium-sized cities, in the growth process has prompted the present author to choose them as study areas.

The aspect that would be covered in this thesis is whether the potential resources of the secondary cities of Banlgadesh, that is the old district Pourashavas are being mobilised or not and what potential remains in future to increase internal revenue of these Pourashavas. It is not however possible to take all these Pourashavas into account for examination due to both time and resource constraints. Four Pourashavas, that is, Bogra, Comilla, Patuakhali and Tangail have been selected for study from the 17 old district headquarter Pourashavas. There has been no study dealing exclusively with these types of Pourashavas. Whatever research have been undertaken so far included either only the major cities of the country or major cities interspersed with medium and smaller ones, producing neither a clear picture about the larger ones nor the smaller ones. The need for a study dealing purely with the medium sized cities is desirable to fill the gap of information about them. The results of the study and the recommendations that would follow might of course be of interest

to both larger and smaller Pourashavas as the issues that would be addressed will be partially relevant to all the Pourashavas and Municipal Corporations of Bangladesh.

The thesis is organized as follows. Chapter I begins with an introduction and statement of the problem in brief. Then it argues in favour of urban resource generation in two sections showing how urbanisation at a rapid rate is necessitating the mobilisation of resources from urban areas at a higher rate. This chapter also includes survey of literature on urban finance. Chapter II gives the objectives and methodology of the thesis. The third chapter is on the socio-economic background of the study areas. This is a brief chapter intentionally made since data on socio-economic characteristics of the respondents was not directly useful for the thesis. However, details have been presented in the appendix. The fourth chapter describes the responsibilities of the Pourashavas along with the staffing pattern and financial management. The revenue sources, both internal and external have been discussed in detail in chapter five using data from the four study Pourashavas. The last chapter is the concluding chapter giving observation from the study and concluding

remarks.

1.3 Urbanisation in Bengal

Through the last thirty years rapid urbanisation has taken place in Bangladesh. While newer agglomerations have taken urban shape, older ones have extended their areas, collecting more inhabitants through extension besides natural growth and rural-urban migration. Table 2 gives rate of growth of urban population in Bangladesh. During each inter-censal period 1901-1961, the urban population growth rate was always below 4 per cent but this increased to 6.7 per cent during 1961-1974 and 11 per cent during 1974-1981 inter-censal periods. Urban population as a percentage of total population increased from 2.39 per cent in 1901 to 15% in 1981. While urban population growth rate is very high in the capital city of Dhaka, the growth rate is appreciable in the secondary cities, that is, the pre-1983 district headquarters. When the growth of population for Dhaka Pourashava was 77.33% between 1974-81, the growth was 68.97% for all these 17 old district Pourashavas taken together, during this period.

In Bangladesh, both the total population and urban population has been growing at faster rates. The

TABLE 2

AVERAGE ANNUAL GROWTH RATE OF URBAN POPULATION
IN BANGLADESH, 1901-1981

Period	Rate of Population Growth	
	Urban	Total
1901 - 1911	1.39	0.87
1911 - 1921	0.84	0.53
1921 - 1931	2.00	0.68
1931 - 1941	3.59	1.65
1941 - 1951	1.68	0.00
1951 - 1961	3.72	1.92
1961 - 1974	6.70	2.65
1974 - 1981	11.00/a	2.36

Source: Various census reports of East Pakistan and Bangladesh.

/a - Estimated from 1981 urban population, which is given as 13.5 million in "Data and Information for Local Level Planning, by A.K.M. Ghulam Rabbani, paper presented at a conference of The Society for International Development, July 23-24, 1983, p. 61.

rate of population growth is alarming for Bangladesh as a whole. But the rates of urban growth show that urban population problem may take a serious turn with acute problems of housing, sanitation and water. While within a period of eighty years (1901-1981) the population of the country increased from 28.9 million to 89 million, an increase of little over three-fold (210 per cent), the urban population has gone up from 0.62 million to 13.5 million within the same period, an increase of over twenty fold. Although total population growth rate has shown a downward trend from 3% in the last decade, the urban population growth rate is increasing.

Despite high present rate of urban growth in Bangladesh, the percentage of total population living in urban areas is one of the lowest in comparison to other Asian or African countries. On the average 30% of Asian and African and 65% of Latin American countries are urbanised. So there is nothing abnormal in the present high rate of urban growth in Bangladesh. Other countries experienced the same phenomenon. Bangladesh also expected to have much more urbanised population by the end of this century. It has been estimated that an increase of population of about 50 million will take place by the end of year 2000

from 1981. Out of this, about 30 million (or 60%) will take place in urban areas which when added to the present 13 million will bring total urban population to 43.5 million. Thus, in the year 2000 about 30% of the total population of 140 million will be residing in urban areas.

1.4 Urban Finance: An Overview

The Pourashavas of Bangladesh receive the power of revenue collection and obligation of providing urban public services through the Pourashava Ordinance, 1977. Of course, collection of taxes and rendering of local public services by urban governments in this part of the world is not a new phenomenon. The right of collection of tax by a municipal authority was first introduced here by the Town Police Act of 1856 (Act XX of 1856). About eight years later, in 1864, the District Municipal Improvement Act was passed by the Bengal Council. Holding tax, which became the chief source of municipal revenue could be imposed under this Act on the annual value of holdings and the rate might extend upto seven and half per cent of the value. The municipal body could also levy tax on animals, carts and carriages. The responsibilities of the body included the maintenance

of the town, its roads, conservancy, hospital, control of offensive trade, and vaccination. Several successive Acts amended, extended, consolidated or repealed the previous laws. The last Act under the British rule in this regard was the Bengal Municipal Act passed by the Provincial legislature in 1932. This Act greatly increased the responsibilities of the municipalities and powers of municipal Commissioners were enlarged and clarified about matters of levy of rates and taxes and the utilisation of municipal fund.

The subsequent statutes during the Pakistan period (Basic Democracies Order, 1959 and Municipal Administration Ordinance, 1960) repealed all existing laws relating to urban local bodies. These in neither way curtailed any of the earlier responsibilities nor reduced revenue generation power of the urban bodies. Similarly, the Pourashavas Ordinance of 1977 retained fully all responsibilities and powers related to municipal finance. Except the three Municipal Corporations of Dhaka, Chittagong and Khulna all other Pourashavas are administered under this Ordinance.

The Pourashavas of Bangladesh can generate internal resources through taxes, rates, tolls, fees and rents from own property. These are collected to defray

mainly the expenses of establishment and for maintenance of roads, water supply system, conservancy and electricity for lighting the roads. Government grants constitute a significant portion of Pourashava income.

Statistics on Pourashava income is hard to find. The sources are Government produced data through the Bangladesh Bureau of Statistics or collection through visits of respective Pourashavas. The BBS data do not give detailed breakdowns of income and expenditures. The aggregate level of own income and government grant can be seen there. Of course, there remains doubts about the accuracy of figures produced by the BBS. Revenue figures seem to understate the reliance of local bodies on grants.^{10/} The understatement is however low in case of Pourashavas in comparison to other local bodies. For lack of consolidated data for all the Pourashavas of Bangladesh, the Bureau figures are however presented in Table 3.

Table 3 shows that government grant as a percentage of total Pourashava income was falling continuously within 1975-76 and 1980-81. This trend was sharply reversed in 1981-82. The share of external source revenue rose to over 43 per cent in that year suddenly from about 12 per cent in 80-81. This was due to

TABLE 3

LOCALLY RAISED REVENUE AND GOVERNMENT GRANT IN THE POURASHAVAS OF BANGLADESH

(In Million Taka)

Type of Revenue	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
Internal	142.93	111.42	129.89	170.27	197.61	240.40	322.99	437.83	634.95
Grant	49.81	29.82	26.58	34.70	36.54	32.16	250.13	250.99	638.06
Total	192.74	141.24	156.47	204.97	234.15	272.56	573.12	688.60	1273.01
% of Grant	25.8	21.1	16.98	16.92	15.6	11.79	43.63	36.45	50.12

Source: Bangladesh Bureau of Statistics, Statistical Year Book, 1983-84, pp. 480-481.

two factors -- the abolition of Octroi tax by the government which accounted for more than one-sixths of total revenue of many Pourashavas and its replacement by a new central grant styled as "Octroi Compensation Grant", and due to larger allocations for maintenance and development of infrastructure under special development assistance. This extra fund was necessary to undertake various repair and construction works like roads, culverts and drains.

The total income of all the Pourashavas of Bangladesh has increased by 257 per cent over the period 1975-76 and 1982-83 and by 560 per cent over 1975-76 and 1983-84. The percentage increase in own resource generation within the above periods were 206 and 344 respectively. These figures do not however give any idea about the financial conditions of Pourashavas. The evaluation of revenue growth should be made from different points of view - whether the number and area of urban centres have grown rapidly within this period, whether per capita revenue has grown at constant prices or fallen, whether service facilities have improved, remained constant or deteriorated, whether maintenance works are undertaken timely and done satisfactorily, whether internal potential revenue has been mobilised, whether the tax burden is equal,

whether spending create unbalanced growth or not etc. The coverage of all these aspects both on a wide scale and indepth require a very large study.

1.5 Survey of Literature

There has been little investigation and research on urban finance and management in Bangladesh. Local governments in the earstwhile Pakistan did not receive enough importance due to central policies that favoured planning and administration from the top and local governments remained only as service institutions having little power of overall planning and administration of the local units. For this reason research into these governments were not undertaken with any objectives in mind, like improving local power base, improving tax-revenue or providing more autonomies to them.

After the independence of Bangladesh, all the successive governments advocated for strong local governments. The main reason for the change in attitude was the need for increase in productivity at rural areas. The institutions that were apparently created for this purpose were, the Zilla Governor system, "Gram Sabha" (Village Councils), "Gram Sarkars" (Village Government), "Swanirvar Gram Sarkers" (Self-sufficient

Village Governments) and the recently created "Upazila Parishad". The change that came in urban local governments were not comparatively significant. In 1982, Dhaka Pourashava was upgraded into a municipal corporation. In the following year, Chittagong Municipal Corporation and in 1985, Khulna Municipal Corporation was created.

The books, articles, journals that were available on local governments of Bangladesh throughout the last thirty years reflect the importance that were attached to local governments by the control governments in different times. Of these literatures those written on municipalities, and those written on municipal finance specially, were of very small numbers.

Detailed information on Municipal revenue for the pre-1971 days were found only for the fiscal year 1950/51.^{11/} In that year, the total house tax of all the municipalities taken together, constituted 27.9%; water, lighting and conservancy rates 29%, profession and trade tax, 5.3%, own property income 6.3%, government grant 19.3% and loans and advances 4.4% of total income. Total income of all the Municipalities was only 84.93 lakh Rupees. The average per capita revenue was then estimated to be Rs. 4.50.

In his study, Amirul Islam Choudhury (Choudhury: 1978) took account of twenty three municipalities including Dhaka, Chittagong, Khulna, Rajshahi and ten district headquarter municipalities. Percentage distributions of revenue and expenditure for these municipalities for three different years as reported by him throw up several important points. Firstly, in none of those years government grants accounted for more than 20% of the total revenue. Secondly, total tax income rose from 35.9% in 1954-55 to 59.2% in 1964-65 and then fell to 48.7% in 1974/75. Thirdly, the share of holding tax fell from 67.6% in 1954-55 to 32.8% in 1964-65 and then rose slightly to 37.6%. Fourthly, the share of property-related tax and rates fell from 70% (in 1954/55) to 30% in 1964/65 and then rose slightly to 40% in 1974-75. The share of octroi tax revenue dropped from 35.2% in 1964-65 to 8% in 1974-75.

Some financial statistics on most of the Municipalities (55) for the period 1968/69-1972/73 are available in "Bangladesh Pourashava (Municipality) Statistics" compiled by Md. Shafiqur Rahman. This gives information on tax and non-tax revenues for individual municipalities for these five years, their demand and collection of taxes and government grants received by them. The information contained in those did not distribute

revenues into individual sources which created problem of comparison with other municipal statistics or any analysis on municipal revenue sources. However, figures for arrear and current demand and arrear and current collection of holding tax give idea about the collection performance of those municipalities.

Detailed information on revenues of four municipalities for the period 1965-70 have been reported by Afsar Hossain Saqui (Saqui; 1974). The trends in income is almost similar to that of Amirul Islam's findings with government grants contributing around 20%.

Roushan Ara Begum [Begum: 1972] found different types of income trend for a period of 1965-66 to 1969-70. Income from different sources varied from year to year. Tax income rose from 67% in 1965-66 to 74% in 1966-67 and fell to 71% in 1969-70. Rates in the total income varied between 19% and 20%. Grants contributed as low as 9% in 1965-66 and as high as 28% in 1969-70. The ratio between normal and Works Programme grants in total grants has changed from 1 : 1.25 in 1965-66 to 1 : 13 in 1969-70.

Another study on Dhaka Pourashava was carried out by Bilquis Ara Alam [Alam: 1977]. There she dealt with only one tax -- house tax and two rates - lighting

and conservancy. She used data for the period 1964-65 and 1973-74 for analysing arrear and current collection performances. Collection problems were identified through interviews with tax collection staff. Some tax payers were also interviewed for knowing the extent of default and causes of non-paying of taxes regularly. The findings show that out of the 1605 defaulters interviewed, 48% paid no tax for 4 years and there were at least some (5%) who did not pay taxes for 16 years or more. Financial difficulties has been shown as the main reason for default of tax by the tax-payers.

One or two small pieces were written on finances of individual Pourashavas like one by Rafia Khatun on Khulna Pourashava and another by Khandker Azad Ahmed on Patuakhali Pourashava. These gave some statistics like sources of revenue and arrear and current tax demands and receipts.

There has been no comprehensive research on Pourashava finance after the independence of Bangladesh till 1984. The Taxation Enquiry Commission (1979) worked on a very limited scale on Pourashavas. Their findings on Pourashavas were mostly based on observations. Recently, there have been some reports carried out to investigate into the problems of municipal finance

vis-a-vis their service demands.^{12/} One study devoted exclusively to municipal finance was sponsored by the World bank [Schroeder: 1984]. The major findings of these reports are that the level of public services provided by the urban governments in Bangladesh is low, the employees are not trained in financial matters properly, yearly revenue growth rates fluctuate greatly, revenue yields respond poorly to increases in population, prices and economic activity and property-based taxes are potentially the most productive at raising local revenue. The reports show that there is underassessment of holdings for taxation and the penalty for non-payment of taxes is inadequate to stop or reduce defaulting. The grant system lacks objectives and thus require modifications.

None of the said reports were exclusively dealing with secondary Pourashavas. All the above reports dealt with both large and small Pourashavas together giving generalised ideas. For convenience, however, Dhaka and other Pourashavas should possibly be dealt with separately. This is due to magnitudinal and some functional differences between the larger and smaller urban governments. Furthermore, any such research should take into account the views of tax-payers as well since they are the sources of revenue and for them are meant all the utility services.

The Pourashavas of Bangladesh can collect revenues in the form of taxes, rates, tolls and fees from twenty six heads mentioned in the First Schedule of the Pourashava Ordinance, 1977. Besides this, Pourashavas' revenue include government grants, income from rent of own land, buildings and ponds, little voluntary contributions and some fines. Despite the long list of items in the schedule, the amount of own Pourashava revenue is small compared to the total revenue of the government and insignificant in comparison to the GDP. In 1981-82 the total Pourashava income was 2.70 per cent of total income of the Government and own resource income was only 1.44 per cent of the total government revenue (Table 4). Even own incomes of all the local governments of Bangladesh taken together was only 3.6 per cent of total revenue of the Government in 1981-82. The total receipts of the local bodies including grants constituted 5.29% of the government revenue in 1981-82. The importance of local government, its revenue and that of local resource mobilisation can easily be assessed from such a small share of income of all the local bodies. Again, it has been estimated that the total income of the national government at 1979-80 constant prices increased annually on

TABLE 4
DOMESTIC RESOURCE GENERATION BY NATIONAL AND LOCAL
GOVERNMENT IN BANGLADESH

(In Million Taka)

Y e a r	National	Local	Total
1975-80 (Average)	12252.6 (97.1)	368.5 (2.9)	12621.1
1980-81 (R.E.)	17551.0 (96.8)	573.6 (3.2)	18124.66
1981-82 (B.E.)	25725.0 (96.4)	947.4 (3.6)	26672.4

Source: BBS, Statistical Year Book, various issues

Note : Figures in Parentheses are percentages of row totals

an average rate of 17%, the income of Pourashavas increased by 14% and that of total receipts of all local bodies by 10% only.

The reason for such a low level of revenue of the Pourashavas is the small jurisdiction, limited scope for taxation, inelastic growth of revenue and poor assessment and collection performance. This thesis shall dwell broadly upon these aspects of major revenue sources of the Pourashavas selected for study.

2. OBJECTIVES AND METHODOLOGY

2.1 Objectives of the Thesis

The objectives of the thesis are to:

- 1) analyse the share of internal and external resources that come from different sources to the four Pourashavas selected for study
- 2) examine the potentiality of increasing internal resources from some major sources i.e., Holding tax, tax on the transfer of immovable property, tax on professions, trade and callings, fees for markets and licences and income from own property
- 3) identify the factors responsible for the low level of resource generation from the existing sources, and
- 4) suggest measures to expedite resource mobilisation in the light of the problems that would be studied.

2.2 Methodology

2.2.1 Selection of Pourashavas

As has been mentioned earlier, secondary cities, that is medium-sized Pourashavas have been selected for study

for this thesis. These urban centres can play a potential role as regional centres and they have an importance in bringing down the problems of population, health, utilities, education and housing from the largest cities of the country. The decentralisation process planned by the government may help in achieving this objective. But decentralisation cannot be dispersed so widely overnight. It should take time and must take certain steps. Regional centres must first develop with greater and greater interactions with smaller centres and with the passage of time the feedbacks in the smaller centres will help them grow and utilise their resources in a better way. The old district headquarter Pourashavas may play this role as regional centres if planned development of these are undertaken. Planning presupposes adequate finance for implementation of plans and thus financing is an important part of helping these urban areas to prosper.

Selection of Pourashavas were made on the basis of per capita own-source revenue in 1982-83. The year 1982-83 was the only year for which revenue data was available for the Pourashavas from any central location (Ministry of LG and RD). Although average revenue figures for several years would have been more justified in the selection of Pourashavas, lack of data for any other years constrained that attempt.

The four Pourashavas selected for study were all established before 1893. So they have a long history of functioning as local bodies. The gathered experience of these, the long service records of most of the officials and employees, the favourably wider locations of the Pourashavas have given the scope of studying the issues faced by geographically small (Comilla with an area of 5.50 square miles) and medium (Patuakhali with an area of 10 square miles) high density urban area (Comilla with a population of 1,26,130 in 1981) and low density urban centre (Patuakhali with a population of 50,000 in 1981). Since one of the main objectives of the study was to examine the resource potentials of the secondary cities of Bangladesh, the selection of the above Pourashavas on the basis of per capita own resource generation capacities was reasonably a suitable criteria. When selected the two (Bogra and Comilla) from the top of the list and two (Tangail and Patuakhali) from the bottom of the list, according to per capita revenue earnings, the problems of both resourcewise advanced and backward Pourashavas have come into focus showing reasons for the difference in per capita revenues between different Pourashavas.

2.2.2 Source and Collection of Data

Resource mobilisation in a Pourashava involves two

TABLE 5
PRINCIPAL FEATURES OF THE SELECTED POURASHAVAS

Attributes	Pourshava			
	Bogra	Comilla	Patuakhali	Tangail
Year of Establishment	1876	1864	1892	1887
Area (in sq. Mile)	5.70	5.00	10.00	10.96
Population (1981)	68,237	1,26,130	50,000	77,748
Density of Population per sq. Mile	11,971	25,226	5,000	7,094
District Density of Population	1,817	2,655	1,100	1,878
Total own Revenue in 1982-83 (Taka)	30,62,384	45,13,424	10,59,366	26,78,346
Per Capita own Revenue (Taka)	44.88	35.78	21.19	34.45

Source: Pourashava records

groups of people - those who collect revenues and those who pay taxes. So the actions of both the Pourashava officials and the inhabitants of the town are equally important in this respect. While the Pourashava imposes taxes and rates against the services provided to the people, the citizens pay for those services. To understand clearly the attitudes of the people as well as the Pourashava officials, information on both fronts were collected.

Information about Pourashava finance was collected from several sources. These sources were, (i) Statutes on the basis of which the Pourashavas function, (ii) books, articles, reports written on Pourashava finance, (iii) Pourashava records, (iv) officials of the selected Pourashavas, and (v) tax payers.

i) Statutes

The statutes consulted mainly for the purpose were The Pourashava Ordinance of 1977, The Basic Democracies Order, 1959, The Municipal Administration Ordinance, 1960, The Bengal Municipal Act, 1932, The East Pakistan Town Committee (Taxation) Rules, 1961, The Bengal Amusements Tax Act, 1922, and The Stamp Act, 1899.

ii) Literature review

This was required in order to familiarise with the various issues related to urban finance. A bibliography is appended at the end for reference.

iii) Pourashava records

The figures for following information were obtained from the official records of the four Pourashavas.

- a. Details of actual receipts and expenditures including government grants for the period 1975/76-1984-85. The most recent 10-year period was chosen for two reasons - one, detailed data for this period were only available, and two, since 1975/76, the situation in the country reached normalcy after four years of disturbance like the war of liberation, period of return of refugees from India, devastating flood and famine of 1974.
- b. The amounts of arrear and current demand for major taxes and receipts therefrom for a period from 1975-76 to 1984-85.
- c. The prevailing rates of various taxes, rates and fees.

- d. Number of officials and employees in different departments of these Pourashavas.
- e. The number of households and establishments paying different types of Pourashava taxes, rates and fees. Figures on this was obtained for the last five years i.e., from 1980-81 to 1984-85.
- f. Some other information relating to assessment, appeal, "Distress Warrant" etc. were also collected for the purpose.

iv) Interviews of officials

Interviews were held with the Secretary, Accountant, Tax Collector and Head Clerk of each selected Pourashavas through questionnaires to understand the various aspects of their financial management, their problems related to revenue collection, their suggestions about the possibilities of improving resource position, grant disbursement, improving the efficiency of the staff, possibilities of reducing establishment expenses etc.

v) Questionnaires for the tax-payers and potential tax-payers

Three different sets of questionnaires were used in this study to interview three groups of people: (i) the households permanently settled in the Pourashavas, (ii) the traders and manufacturers, and (iii) the people in the informal sector defined as those who do not pay any tax, rate, fee or toll to the Pourashava but earning their livelihood trading within the pourashava.

Random sampling procedure was followed in selecting the households, the traders and the workers in the informal sector for the study. Seventy permanently settled households, fifty traders and manufacturers, and fifty people engaged in informal activities were interviewed from each Pourashava.

The tax-payers were asked about their occupation, monthly income, family size and age, area of their holdings, construction materials of those structures, amount of Pourashava tax levied on their holdings, the reasons for non-payment of taxes, opinions about the services provided by the Pourashava and their suggestions to improve tax collection performances.

The questionnaire for the non-tax payers contained information about their occupation, income, family size, number of family members earning incomes within that Pourashava and their incomes, their views on the necessity to pay Pourashava taxes and the amount they were capable of paying as Pourashava taxes against their use of urban services.

3. SOCIO-ECONOMIC BACKGROUND OF THE STUDY POURASHAVAS

3.1 Some Basic Information About the Selected Pourashavas

The four study Pourashavas fall into four divisions of the country. Tangail Pourashava falls into Dhaka Division, Comilla Pourashava falls into Chittagong Division, Bogra Pourashava in Rajshahi Division and Patuakhali Pourashava falls into Khulna Division. Some basic information about these Pourashavas like year of establishment, area and population are presented in Table 6. In the next table demographic characteristics of the Pourashavas are given.

Certain important statistics about the infrastructural facilities within the Pourashavas like road, electricity supply, water supply, drainage, educational institution given in Table 8 for having a comparative understanding of the selected Pourashavas.

Seventy households were selected at random from all the wards of each Pourashava surveyed. Also fifty different types of questionnaires were filled from each Pourashava from the people of trading and manufacturing community. A third types of fifty questionnaires were also filled from each Pourashava from the people of informal sector. From such a small

TABLE 6
SOME BASIC INFORMATION ABOUT THE FOUR POURASHAVAS

Name of Pourashava	Year of Establishment	Area (in sq. miles)		Population	
		Present (1985)	Previous	1974	1981
Bogra	1876	5.70	3.37 Upto (81-82)	47,154	68,237
Comilla	1864	5.00	-	86,446	1,26,130
Patuakhali	1892	10.00	5.00 Upto (74-75)	27,167	50,000
Tangail	1887	10.96	8.34 Upto (83-84)	51,863	77,748

Source: Information supplied by the four Pourashavas

TABLE 7
DEMOGRAPHIC CHARACTERISTICS OF THE POURASHAVAS

Name of Pourashava	Average annual growth rate of Population between 1974&1981	Density of Population per sq. mile(1981)		Pourashava Population as a percentage of district Population (1981)	Number of Households (1982)
		Pourashava	District		
Bogra	3.65	11971	1817	2.5	10138
Comilla	3.73	22933	2655	1.8	19766
Patuakhali	5.92	5000	1100	2.7	3809
Tangail	3.99	9322	1878	3.2	12775

Source: Pourashava information

number of questionnaires surveyed in each Pourashava, it is hazardous to conclude, with any satisfactory level of confidence, the prevailing socio-economic conditions in the study Pourashavas. Moreover, since non-permanent inhabitants (except some shop-keepers) were not interviewed, their conditions would not reflect in the study.

Because socio-economic conditions of inhabitants in the survey Pourashavas was not directly useful for the thesis, so those data are not presented here. They have been placed in Appendix A.

TABLE 8

MAJOR INFRASTRUCTURES IN THE STUDY POURASHAVAS

I t e m	NAME OF POURASHAVA							
	Bogra		Comilla		Patuakhali		Tangail	
	Position in 1979-80	Position in 1984-85	Position in 1979-80	Position in 1984-85	Position in 1979-80	Position in 1984-85	Position in 1979-80	Position in 1984-85
1. Road (Mile):								
a. Pucca	22.79	23.58	34.00	42.00	8.50	12.50	10.10	15.36
b. Kutcha	6.88	29.52	10.00	5.00	10.00	13.00	33.00	38.25
2. Street Light Post (No.)	-	2,149	-	2,400	-	350	1,000	1,110
3. Water Supply:								
a. Pipe Line (Mile)	-	20.00	-	39	15	15	6	9
b. Lakh gallon per day	-	4.90	-	9.60	.40	.40	1.50	1.50
c. Pump station (No.)	4	4	6	6	3	3	3	3
d. Tube well (No.)	500	500	600	600	20	24	800	828
e. Road side Tap (No.)	20	25	300	300	60	80	15	25
4. Drain (length in mile)								
a. Pucca	-	5.15	-	8				2.52
b. Kutcha	-	106.21	-	6.40				5.60
5. Educational Institution (No.):								
a. Primary School	23	32	38	40	12	14	24	27
b. High School	10	19	15	15	6	6	11	12
c. College	7	7	5	6	3	3	3	4
d. Others	4	4	20	23	6	8	6	6
6. Bazar (No.) (Recognized)	4	4	5	5	2	2	3	3
7. Park/Playground (Acre)	3.61	3.61	5	5			.10	.10
8. Mosque (No.)	69			61		40		
9. Culvert/Bridge (No.)	40	50	200	222	30	57	37	39

4. PERSONNEL-CUM-FINANCIAL MANAGEMENT AND THE RESPONSIBILITIES OF THE POURASHAVAS

4.1 Personnel and Financial Management

4.1.1 Personnel management

There are mainly two types of people involved in the local administration of Pourashavas. One is the regular or salaried staff and the other the voted or elected members. The later group includes the Chairman and Ward Commissioners, elected on popular decision for a period of five years. As many Ward Commissioners are elected as the number of wards in a Pourashava. The Chairman and the Commissioners receive monthly honouraria from the government.

The regular or salaried staff of the Pourashavas can be categorised according to Class I-IV and some muster roll or daily basis employees.^{13/} Except for Class I employees, the hiring of all other staff is a local decision to be approved by the concerned ministry of LGRD. The Secretary is the chief executive officer appointed by the Government on recommendation of a local selection committee.

There are various sections in a pourashava. The sections along with the personnel are listed below.

<u>Section</u>	<u>Personnel</u>
General Administration	Chairman, Secretary
Assessment and Collection	Chief Assessor, Tax Daroga, Assessors, Tax Collectors
Conservancy	Inspectors, Supervisors
Lighting	Assistant Engineer, Sub-Assistant Engineer, Inspector
Water Supply	Superintendent, Assistant Superintendent
Health	Inspector, Vaccinator
License	License Inspector, Trade Inspector, Assistant
Works programme	Assistant Engineer, Sub-Assistant Engineer, Inspector
Accounts	Accounts Officer, Assistant Accounts Officer, Cashier

Besides the officials, individual sections possess other employees like clerks and peons. Conservancy section employes sweepers. The various categories of employees in different sections in the four Pourashavas surveyed can be seen from Appendix Table C.9.

Marked variations are observed in the employment of staff in different Pourashavas. While Bogra employed 532 persons in 1984-85, Patuakhali employed 55 persons. Bogra had in its payroll 317 sweepers in 1984-85, Tangail had 34 and Patuakhali only 2 sweepers. While Bogra engaged some employees in almost every sections,

Patuakhali did not have any employee in four sections. The following table gives figures for employee per thousand of inhabitants in the four survey Pourashavas plus that of Dhaka for comparison.

4.1.2 Financial management

The highest body in the Pourashavas to look into the financial matters is the "Finance Sub-Committee" headed by the Chairman with several members including the accountant, cashier and Ward Commissioners. The official chief of finance is the Accountant in the secondary Pourashavas who is also responsible for annual budgeting and preparing proposed rates of taxes, fees etc.

The financial activities of a Pourashava may be classified broadly as, (i) accounting, (ii) budgeting and (iii) auditing. These three functions are discussed in short below.

i) Accounting

Account in all the Pourashavas is maintained as per Municipal Accounts Rules, 1932. The revenue and expenditure heads are almost similar in every Pourashava. Still, there is some differences. The differences occurs due to non-use of some

TABLE 9
POURASHAVA EMPLOYEES PER THOUSAND OF POURASHAVA
INHABITANTS, 1984-85

Pourashava	Employees per Thousand of Pourashava Population		
	Official	Other	Total
Bogra	1.43	6.40	7.83
Comilla	0.58	1.07	1.65
Patuakhali	0.62	0.48	1.10
Tangail	0.45	0.93	1.38
Dhaka ^{a/}			2.77

^{a/} As calculated by the author, in "Urban Government Finance and Management issues in Bangladesh", The World Bank, By Larry Schroeder, Metropolitan Studies Programme, The Maxwell School of Citizenship and Public Affairs, Syracuse University, 1985, p. 14.

Source: Computed by the author from Pourashava records.

revenue sources in some Pourashavas while others use them. The same is true for expenditure side. For example, while Bogra Pourashava spends on education, Tangail and Patuakhali spends nothing on this head. Also while some Pourashavas maintain accounts on a number of heads, other maintain comparatively smaller numbers, accumulating number of heads under one name or under the "miscellaneous" head. This creates problem of comparison of accounts between several Pourashavas. Patuakhali keeps much smaller number of heads in both income and expenditure sides of the balance sheet.

ii) Budgeting

Budget preparation is not anything of a serious matter. The usual practice is to add arrear taxes and rates to the estimated revenue of the coming year to get total demands for revenue, knowing well that certain portion of the current and arrear demands will not be collected. The difference of demand and actual collection is large and for certain Pourashavas the available figures indicate that in the Table 10. Again, there are other forms of dissimilarities in accounting practices. For example, while Comilla and Patuakhali kept

TABLE 10
ACTUAL INTERNAL REVENUE AS PERCENTAGE OF BUDGETED
INTERNAL REVENUE

Year	Pourashavas				
	Sylhet	Rangpur	Rajbari	Jhenidah	Narsingdi
1980-81	66.30	80.79	71.28	71.66	78.25
1981-82	98.61	92.70	46.69	57.94	66.80
1982-83	66.01	99.88	74.93	65.81	73.39
1983-84	77.54	89.10	31.10	76.22	87.40
1984-85	24.33	91.52	57.43	76.46	57.96
Average	66.56	90.80	56.29	69.62	72.76

Source: UNDP-UNCHS-UDD Working Paper 7, "Project Evaluation and Local Financial Resources for Development in Bangladesh", Dec. 1985, Bangladesh National Physical Planning Project, p. 41.

the Urban Works Programme separate from the general account; Bogra and Tangail have not. Similarly, water supply revenue and expenditures have been isolated from other functional activities in Tangail Pourashava. Also some changes take place in accounts due to central decisions like abolition of Octroi, temporary take over of water supply system (Bogra and Comilla), relieving some Pourashavas of spending on education by the government, etc.

iii) Auditing

The practice of auditing is an annual feature. In the last ten years, there were no exceptions to this rule in any of the four Pourashavas studied. Every year both internal and external auditing is undertaken - internal first and then the external audit, mostly completed in between July and December. External auditors are government appointed, presently coming from the Ministry of Finance. One auditor takes about one month to complete auditing in a district headquarter Pourashava.

4.2 The Responsibilities of the Pourashava

The Pourashavas of Bangladesh carry out two types of responsibilities - one can be termed "internal" or "functional" and the other "external" or "dependent". The second type of responsibilities will be discussed first.

a) External responsibilities of Pourashavas

Pourashavas in Bangladesh maintain more or less close liason with administrative organs of government and some autonomous bodies. Each of the governmental stage, that is, the centre, the Divisions, the Districts and the Upazilas have some linkages with the Pourashavas. Previously, the largest Pourashavas were under the authority of Divisional Commissioners. Recently, the Ministry of Local Government, Rural Development and Cooperative (MLGRDC) has been designated the prescribed authority for all urban governments. The MLGRDC can influence Pourashava finance and management by approving certain personnel and financial decisions. Personnel administration within Pourashavas is highly centralised as salary scales are tied to national scales and approval of employment of permanent staff has to be sought from the ministry.

The contacts between Pourashava and district and division are now very weak. The development assistance programme of the Divisional Development Boards are no more there due to the abolition of the Boards and the Zilla Parishad Programmes within the Pourashava boundary are uncertain due to indecision regarding the status of Zilla Parishads under the existing structure of the local government. Of course, funds under special development assistance is released by the District Commissioner for Pourashavas after the completion of the works contracted out by the Pourashava. However, a new relationship between the Pourashavas and the recently formed Upazilas is under formation as understood from the decision to appoint Pourashava Chairman as member of the overlying Upazila Parishad and from the discussions regarding the financial jurisdictions of the Pourashava and the Upazila Parishad.

Coordination between the Pourashava and the many autonomous service organisations is a major problem, specially acute for the largest cities. Organisations like Power Development Board (PDB), Water and Swerage Authority (WASA), Telephone and Telegraph (T and T), Titas Gas act uncoordinately and creates problem. For example, whenever one of these authorities require digging through a road for laying cable, pipe etc, they do it.

The same road is cut several times by different organisations for this same purpose and again repaired. Effective coordination could reduce this sort of wastage.

Some sort of direct cooperation is noticeable between the Pourashavas and the central government in the provision of public facilities. Recently, in some selected Pourashavas, the responsibility of water supply has been temporarily taken away from the local Government by the Public Health Engineering (PHE) Directorate (a wing of the MLGRDC), mainly for the purpose of improvement. After the improvements, the system will be turned back to the Pourashavas. This type of cooperation between the centre and the Pourashavas is valuable in the condition of lack of fund and technical personnel with the urban governments.

b) Functional responsibilities of Pourashavas

The functions of Pourashavas are quite explicitly mentioned in the Pourashava Ordinance, 1977. The functions may be classified as compulsory and optional.

Compulsory functions

1. Construction and maintenance of roads, bridges and culverts
2. Removal, collection and disposal of refuse, wastage and rubbish
3. Provision and maintenance of street lighting
4. Maintenance of public streets, provision of street watering
5. Provision and regulation of water supply
6. Establishment and maintenance of public markets
7. Provision and maintenance of drainage
8. Provision and maintenance of graveyards and burning places
9. Control over erection and re-erection of buildings
10. Provision and maintenance of slaughter houses
11. Control over traffic and public vehicles
12. Plantation of trees on road sides.
13. Prevention of infectious diseases and epidemics
14. Registration of births, deaths and marriages
15. Regulation of insanitary buildings.

Optional functions

1. Checking adulteration of food products
2. Control over private markets
3. Maintenance of educational institutions and provision of stipends

4. Provision of flood and famine relief
5. Provision and maintenance of parks and gardens
6. Establishment of welfare homes, orphanage and prevention of beggary and organisation of social welfare voluntary services
7. Establishment of public dispensaries, provision of public urinals and latrines
8. Establishment of veterinary hospitals, registration of cattle sale, improvement of live-stock
9. Drawing up a Master Plan for the Pourashava and execute site development schemes
10. Celebration of national holidays
11. Reception of distinguished visitors
12. Establishment of public libraries and reading rooms
13. Promotion of community development schemes
14. Naming of roads and numbering of houses.

The distinction between "compulsory" and "optional" functions has been made according to the use of verbs "shall" and "may" before a function in the Ordinance. None of the Pourashavas are known to be performing all the above functions. Even the medium sized Pourashavas choose about half of these functions and irregularly perform one or two others like checking adulteration of food, planting saplings, donation of books to the public library and providing scholarship to

meritorious students. The first ten compulsory functions listed above are found to be performed by most of the medium Pourashavas.

There is remarkable disparity in both the absolute and relative levels of spending on various heads among Pourashavas. Table 11 provides data on per capita expenditure by functional area in 1982-83 for six Pourashavas.

The variance of spending does not only take place among Pourashavas, it also changes within the same Pourashava over years. The total expenditure varies, rises mostly, but the relative composition varies erratically from year to year. There is national data showing how relative spending on two heads, wages and salaries and commodities and services changes from year to year. The following Table show this.

4.3 Expenditure Pattern in the Survey Pourashavas

Recurrent expenditures account for the major share of expenditures in the study Pourashavas. Salaries and compensations of employees constituted more than one-third of total expenditures of the Pourashavas. Exact figures on this account cannot be presented

TABLE 11
PER CAPITA SPENDING IN SELECTED URBAN GOVERNMENTS, 1982-83

Expenditure Category	(In Taka)					
	Khulna	Comilla	Sylhet	Jessore	Tongi	Manikganj
General Establishment	1.86	3.50	1.40	1.35	11.60	3.32
Tax Establishment	2.30	2.38	1.88	2.03	0.03	1.57
Health and Sanitation	7.15	2.52	5.02	0.70	11.42	1.58
Water Supply	3.18	1.85	3.78	-	0.48	0.88
Drainage	0.87	0.73	0.32	3.40	0.52	0.04
Slaughterhouse	0.18	0.47	0.13	0.28	0.04	-
Road Maintenance and Development	7.77	3.24	8.37	12.25	16.89	9.03
Arboriculture	0.11	0.21	0.02	0.28	0.20	-
Education	0.71	-	1.42	2.23	3.02	0.28
Works Programme	7.34	4.48	10.46	7.67	-	7.30
Other Expenditures	0.23	3.28	1.91	3.97	4.23	2.25
TOTAL	31.70	22.66	34.96	34.16	48.43	26.93

a/ Salaries for a number of functions are included with it.

b/ Drainage and Water Supply expenditures combined

c/ Records indicate that Works Programme expenditures were not separated from other categories

Source: "Urban Government Finance and Management Issues in Bangladesh:", The World Bank, By Larry Schroeder, Metropolitan Studies programme, The Maxwell School of Citizenship and Public Affairs, Syracuse University, 1985, Table 1.2, p. 8.

TABLE 12
PROPORTION OF EXPENDITURE IN WAGES AND SALARIES AND COMMO-
DITIES AND SERVICES IN THE POURASHAVAS
OF BANGLADESH (In Percentage)

Y e a r	Percentage of Expendi- ture in Wages and Salaries	Percentage of Expendi- ture in Commodities and Services
1975-76	23.57	35.02
1976-77	32.81	21.62
1977-78	37.27	20.33
1978-79	41.10	18.04
1979-80	39.11	21.53
1980-81	36.81	26.00
1981-82	11.12	12.35
Average Per Year	26.90	19.85

Source: Bangladesh Bureau of Statistics, as found in Shafiqur Rahman, Sitara Alamgir and Serajul Hos-
sain, "Local Government Finance in Bangladesh",
Edited by Dr. Kamal Siddiqui, pp. 134-135

since all the survey Pourashavas did not keep the statistics in the disaggregated form. Only Bogra has maintained the accounts somewhat satisfactorily. Throughout the five year period 1975/76-1979/80, Bogra Pourashava spent annually on an average Taka 12.45 lakh or 48.27 per cent of total expenditure on salaries of staff. The amount was Taka 24.26 lakh or 44.77% on average in between 1980/81-1984/85 period. Bogra also spent another amount of Taka 4.02 lakh or 7.42% on an average annually within 1980/81-1984/85, for other expenses like dress of staff, stationaries, furniture etc.

Other Pourashavas spent less than Bogra in absolute terms on employees as total number of staff is less in other Pourashavas compared to Bogra. Comilla spent on an average Taka 26.62 lakh or 51.74% of total expenditures in between 1980/81-1984/95 on salaries and other establishment expenses. The figures are Taka 7.50 lakh or 23.12% of total average expenditure for Patuakhali and Taka 12.99 lakh or 34.96% of total average expenditures for Tangail Pourashava within the same period.

Expenditures on salaries and compensations is related to the number of staff in a Pourashava. Those with higher number of staff in pay roll will incur more

expenses on this head. However, those with larger number of staff in lower grades will not have same per capita staff expenses as one with comparatively larger employees in higher grades. Bogra has comparatively a much higher proportion of employees in the lowest grade than any other Pourashavas studied. While Bogra spent on an average, between 1980/81-1984/85, Taka 5,316 annually per employee on account of salary and other establishment expenses, Comilla spent Taka 12,798, Patuakhali taka 13,636 and Tangail taka 12,140.

Establishment cost has risen over the years in all the Pourashavas. Table 13 gives information on this. In 1975-76 constant prices, establishment expenses in Bogra increased from taka 12.11 lakh in 1975-76 to 19.71 in 1984-85. In comilla the cost has nearly doubled from Taka 10.26 lakh in 1975-76 to Taka 19.46 lakh in 1984-85. For Patuakhali, the increase is from Taka 2.21 lakh to Taka 5.71 lakh in the same period. A dramatic rise has been experienced in Tangail with a more than five-fold rise from Taka 2.72 lakh in 1975-76 to Taka 14.81 lakh in 1984-85.

Percentagewise, the general establishment constituted for the maximum portion of salary and establishment expenditure in all the four Pourashavas except Bogra, where conservancy section constituted the maximum. In 1984-85, salaries in general establishment consti-

TABLE 13

EXPENDITURE PATTERN IN FOUR STUDY POURASHAVAS FOR SELECTED YEARS, IN 1975-76 CONSTANT PRICES

(In Lakh Taka)

Pourashavas	Year	Establishment Expenses and Salaries of Employees	Development and Maintenance		Other Expenses (Education, Tree Plantation, Sports, Public Health, Civil Defence and Culture)
			Works Program	Others (BDB, SDA, Revenue Surplus)	
Bogra	1975-76	12.11	2.37	-	2.15
	1979-80	19.74	1.98	10.80	2.74
	1983-84	19.71	3.67	3.89	3.96
Comilla	1975-76	10.26	1.83	3.17	1.62
	1979-80	26.31	2.91	9.00	6.85
	1983-84	19.46	5.44	18.38	4.89
Patuakhali	1975-76	2.21	-	1.73	0.08
	1979-80	4.64	2.04	4.70	0.64
	1983-84	5.71	2.59	14.79	0.60
Tangail	1975-76	2.72	0.03	0.98	0.59
	1979-80	8.95	1.69	2.42	1.74
	1983-84	14.81	6.83	10.99	1.38

Note : Investment goods index was used in converting the current values in constant 1975-76 value. The price deflators used were those of 'Statistical year-book' - 1983/84, p. 574.

Source : Computed from Pourashava financial records.

tuted 14.22% of total Pourashava expenditure in Bogra, 20.51% in Comilla, 14.19% in Patualhali, and 12.4% in Tangail. Conservancy section accounted for 16.90% in Bogra, 7.68% in Comilla, about 1% in Patuakhali and 2.07% in Tangail Pourashavas. In Comilla, tax collection is the most important expenditure category after general establishment with 8.72% of total expenditures. The same is true for Tangail but it constituted only 2.76% of total expenditure of the Pourashava in 1984-85.

Expenses other than salaries, on roads, conservancy, street lighting, water supply, drainage, public health, slaughterhouse, education, burying ground, parks, libraries account for the rest of the expenditures. There are two different types of expenditures on these - one, maintenance, and two, development.

Dividing expenses in this manner, however, was not possible due to absence of record-keeping in that manner in the Pourashavas studied. Total expenses on some heads both for maintenance and development was found sometimes to include salaries for employees also.

Development and maintenance works were carried out mainly from the funds under Works Programme grant and Divisional Development Board grants. The surplus revenue was also utilised for this purpose. Recently,

the grant provided as special development assistance is used for this purpose, mainly for the development of roads and culverts.

Some Pourashavas spent much on certain items while others spent less on that. While Bogra spent over Taka one lakh on education in 1975-76, and over Taka 6 lakh (7.47% of total expenditure) in 1984-85, Comilla spent only Taka 39 thousand in 1984-85, Patuakhali Taka 10 thousand and Tangail slightly over 80 thousand in 1984-85. Again, as Bogra spent over Taka 1.5 lakh and Comilla over Taka 86 thousand on park and tree plantation in 1984-85, Patuakhali and Tangail spent almost nothing on these heads. While Comilla spent regularly on edgah and burying ground, others spent almost nothing on these. Details of the expenses can be seen from the Appendix Table C.11.

Pourashavas larger in areas seem to spend more on average on maintenance and development. While Patuakhali spent a total sum of Taka 121.52 lakh in between 1980-81 and 1984-85, Bogra spent Taka 85.11 lakh and Comilla Taka 101.39 lakh. Tangail, of course, falls behind with Taka 74.20 lakh in the same period. Considered on the basis of land area, Comilla leads with a per acre spending of Taka 3,783. Bogra trails behind with

Taka 2,786 per acre. Patuakhali spent Taka 2,267 while Tangail Taka 1,263 per acre.

On the basis of per capita spending on development and maintenance, Patuakhali leads with Taka 243 in the five-year period 1980/81-1984/85. Bogra spent Taka 124 per capita while Comilla and Tangail spent respectively Taka 80.38 and 95.44 per head.

5. SOURCES OF REVENUE

5.1 Sources in Brief

The resources of Pourashavas can be divided into three groups - one, internally raised revenues, two, the government grants, and three, loans and advances. The third source is very small in proportion to total revenue of the Pourashavas of Bangladesh.^{14/} Therefore, the first two will only be discussed.

While government grant includes all types of supportive assistance from the centre, own source revenue includes taxes, rates, fees, fines, tolls and rents and profits from own property. Own revenue has always constituted the major portion of income in the Pourashavas. Theoretically, this should probably be the norm for a local body as the following point made by an author indicates.

"Where local autonomy is the aim, local taxes should be the most important source of local revenue"

[Steiner: 1965:263].

The own revenue sources of Pourashavas along with the previous and present rates has been shown in detail in Appendix Table C2, C3, and C4. The 1961 rates were for the first time changed by the Ministry of LG and RD in 1985, although that has not yet been implemented.

The tax revenue sources of Pourashavas are, those on the annual value of buildings and lands, on the transfer of immovable property, on applications for the erection and re-erection of buildings, on professions, trades and callings, on amusements, vehicles, animals, advertisements and on births, marriages, adoption and feasts. Out of these the first three and vehicle tax constitute almost all the tax income of the Pourashavas. The rates include those for lighting, conservancy and water supply. Fees are collected from markets, licenses for slougher of animals, from fairs, exhibitions and from schools. Other revenues include rates and profits from own property, interest from investment, fines and opening balances.

Government grants include normal or recurrent grant, Octroi compensation grant, Works Programme grant and special project grant.

5.2 Major Sources of Internal Revenue

Major sources of own revenue of Pourashavas can be broadly divided into two categories. These are:

i) Land based or property based revenues:

This include tax on houses, rates for electricity, water and conservancy, and urban immovable property transfer tax. While the first three are purely local levies, the fourth one is a shared tax with the government.

ii) Activity based or Benefit based revenues:

This include taxes on profession, trades and callings, tax on the application for erection and re-erection of buildings; taxes on advertisement, amusement, vehicles, fees for markets and licenses and tolls on ferries, bus-stands and sand deposits.

5.2.1 Land Based Revenues

5.2.1.1 The Holding Tax

1) Definition

"Holding Tax" is a popular term used for expressing one tax and three rates together. The tax is

that levied against the rental value of buildings and land on which the structure are situated and the rates are for lighting, water and conservancy. Since all these four types of levies are imposed on the basis of a single valuation formula, the tax-payers are often found to be interested on that valuation and on the total tax payable under this formula. Analysts also find it convenient to examine this tax and rates under one title for the same reason of unique tax base.^{15/} The discussion here will also consider the house tax and the rates for lighting, water and conservancy under this head.

In a broader sense, holding tax is also a benefit--based levy since these are collected against the services provided by a Pourashava. But since this tax is not strictly in accordance with the "benefit" principle of taxation, it can be termed more correctly as a "land and building" tax. In the four Pourashavas surveyed, nowhere was it found that there was a relationship between specific services provided and rates charged therefor. While the three rates are actually supposed to be levied only where the services are provided, in practice they are like natural additions to

the building property tax whether the services are provided or not.^{16/}

2) Holding Tax Administration.

The Pourashavas are guided by the Municipal Taxation Rules, 1960 and Model Tax Schedules for detailed administration of these taxes. The rules had gone through several amendments. The Model Tax Schedules provide the maximum rate that can be imposed for each of the rates and the house tax. However, only a small number of Pourashavas fix a rate on the higher side. The following table gives the rates for the tax and the three rates separately showing the frequencies of various rates for 55 Pourashavas of Bangladesh.

Holding tax assessment is carried out under rules 22 to 43 of the East Pakistan Town Committee (Taxation) Rules, 1961. Under these rules, properties are assessed at the annual rental value at the time of assessment. In case of owner-occupancy when it is difficult to assess the rent, a value is imputed from the rents of similar properties (buildings) in the locality. All properties are assessed for taxation except places of worship and dilapidated structures having annual rental value of Taka 50 or less.^{17/}

TABLE 14
RATES OF HOLDING TAX IN 55 POURASHAVAS OF BANGLADESH

House		Conservancy		Light		Water	
Rate(%)	No.	Rate(%)	No.	Rate(%)	No.	Rate(%)	No.
5.0	2	1.5	1	1.5	1	2.0	1
6.0	2	2.0	2	2.0	11	2.5	1
6.2	2	2.5	2	2.5	3	3.0	5
7.0	8	3.0	1	3.0	29	4.0	5
7.5	4	3.5	1	6.0	2	4.5	1
8.0	9	4.0	3			4.7	1
8.5	2	5.0	5			5.0	1
9.0	4	6.0	5			6.0	1
10.0	19	6.2	1			6.5	1
10.5	1	6.5	3			7.0	2
12.5	2	7.0	28				
		7.5	2				
		8.0	1				
TOTAL	55		55		46		19

Note: Total in every column do not add to 55, because all the Pourashavas do not impose all types of rates.

Source: Rahman, Md. Shafiqur, "Bangladesh Pourashava (Municipality) Statistics", NILG, 1977.

The assessment is made in the following manner.

- i. A whole year's (twelve months) rental income is estimated;
- ii. Two month's rent income is deducted for helping the owner to cover maintenance cost;
- iii. Any mortgage interest cost associated with the parcel is deducted. Loans received from any officially recognised institutions (banks) only are considered in this case;
- iv. An additional 25 percent of the ten month's rent is deducted in case of owner-occupancy.

The above deductions from annual rental value for certain reasons were introduced in 1963 by a special notification. During re-assessment the assessors visit every holding to collect specific information. The Tax Rules specify the following details to be recorded during re-assessment besides the current annual rental values.

- i. Holding number
- ii. Name and address of owner
- iii. Number of structure
- iv. Building dimensions
- v. Materials used in the structures
- vi. Number of floors
- vii. Use of the structures
- viii. Proportion owner occupied

After every five-yearly re-assessment of properties, an assessment list is prepared. The Pourashava Chairman or any authorised officer on his behalf authenticates the same by putting his signature on each page of the assessment list. The tax-payers are then free to inspect the assessment list. Any party aggrieved with the amount of the valuation can file review petition in the form prescribed for the purpose. These cases are heard by a sub-committee appointed by the Pourashava under Rule 29 of the Taxation Rules. If the outcome of the decision of the sub-committee is not satisfactory to a person, he may, under the Rule 8, file appeal to controlling authority within one month of receipt of the order. The decision of the controlling authority is final.

Three registers are maintained for tax administration in the Pourashavas. These are, (i) a valuation register, (ii) an assessment register, and (iii) a demand register or payments register. The valuation register contains information on every holding on two assessments - the current one and the previous one, about the valuation amount, description of the structure and resident status (whether owner-occupied or rented out). The assessment register contains all these information plus everything

about changes in ownership and changes in assessments made after the hearing of appeals. The third register contains payment information.

For the convenience of tax collection, the Pourashavas are divided into blocks, circles, mahallas or sectors. One, two or three circles are placed in charge of one collecting Sarker/Tahsil Sarker who collects the taxes of that circle through private contacts with the tax-payers. The payers are however free to pay taxes at the office counter of the Pourashava also.

The taxes are payable at the maximum of four quarters per year - each quarter of three months duration. The rules provide a rebate of 10% if the entire tax is payed within the first quarter and a 5% rebate if the respective quarterly payments are made within that quarter. A 5% penalty is imposed on every delinquent tax no matter how late the payment - one month or five years.

The tax-payers are supposed to pay the taxes within the same year the tax is meant for. He can however, pay any arrear taxes with a five percent annual surcharge attached with that. Whenever a tax-payer fails to pay the taxes within the official time period, it falls on the Pourashava to collect the taxes through certain

procedures. It should first issue demand notice to the defaulter to pay taxes within fifteen days. If the taxes are not paid within this period, a Distress Warrant can be issued under Section 38 of Municipal Administration Ordinance, 1960 read with rule 12-15 of the Taxation Rules, which allows the Pourashava to sell all or a portion of defaulter's movable property at auction on the spot or afterwards depending on the value of the property. There is also provision under Rule 38 of Taxation Rules to recover the taxes from the occupier, if any, in the event of default by the owner, by attachment of any rent due by such occupier to the owner.

3) Tax Administration in the Four Study Pourashavas

(a) Rates of Holding Tax

Table 15 shows the maximum leviable rates and the rates actually in effect in the four study Pourashavas.

In Comilla, water rates at present are not collected by the Pourashava because the responsibilities of water supply has been temporarily taken away by the PHE of M/O LGRD. In Bogra and Tangail, water rates were never imposed. In Bogra, also PHE took away water supply system from the Pourashava which is now collecting a fixed sum for supplying water to the people. The Pourashava, may, after the taking over of the system, impose water rate.

In all Pourashavas visited, the rates have been in effect since about 1960 when the Rules regulating municipal affairs were promulgated. Only one case of rate change was in Patuakhali where the rate for house tax was changed in 1978-79 from 7% to 10%.

The existing rates in Pourashavas is not high compared to the rates of our neighbourly country India. The rates for house tax and total tax on holdings in selected Municipapltities are given in Table 16.

TABLE 15
RATES OF HOLDING TAX IN THE FOUR POURASHAVAS

Tax/Rate	Existing Rates (Percentage of valuation)				Maximum Statutorily Leviable Rates	
	Bogra	Comilla	Patuakhali	Tangail	Old	New (since 1985)
House Tax	10	10	10	7.5	10	7
Lighting Rate	1.5	2	3	2	3	3
Conservan- cy Rate	6.5	7	2.5	7	7	7
Water Rate	-	6 ^{a/}	7	-	7	3 plus some fixed amo- unts bet- ween Tk. 20-50
Total Hol- ding Tax	17.5	25	22.5	16.5	27	20

^{a/} Not presently collected.

Source: Pourashava statistics.

TABLE 16
PROPERTY TAX RATES IN SELECTED INDIAN CITIES AND
MUNICIPALITIES, 1976-77

Municipality	State	House Tax Rate	Total Tax on Annual Rental Value
Allepley	Kerala	7.0	15.0
Asansol	West Bengal	7.5	24.5
Baroda	Gujarat	12.0-30.0	22.0-44.0
Bombay	Maharashtra	22.5	61.5
Gauhati	Assam	10.0	22.0
Gorakhpur	U.P.	4.0-9.0	16.5-21.5
Hyderabad	Andhra Pradesh	2.0-15.0	17.0-30.0
Jaipur	Rajasthan	6.3	6.3
Kharagpur	West Bengal	10.0	26.5
Mysore	Karnataka	20.0	23.8
Ranchi	Bihar	12.5	37.5-42.5
Delhi (1978)		10.0-30.0	17.5-41.5
Madras (1978)		5.0-14.5	19.5-30.0

Source: Schroeder, Larry, "Urban Government Finance and Management Issues in Bangladesh", World Bank, 1985, p. 37.

(b) Tax Assessment

Vacant land is not supposed to be covered by the holding tax levy. But knowingly or unknowingly some vacant lands are found to be paying holding tax in all the Pourashavas assessed. In Bogra, about 25% of the owners of vacant land are paying this tax -- the percentage is however very low in the other three Pourashavas.^{18/} When asked about taxing vacant lands, the officials informed that some land holders were willingly paying tax to avoid any types of legal problems of ownerships while others for reasons of proof of permanent settler status etc. In Bogra, the Chief Assessor told that the Pourashava had a programme of covering all vacant lands under holding tax as those lands were not totally unproductive -- producing crops or vegetables and as the rich possess them having capacities of paying nominal rate of taxes.

Rules provide that all buildings and adjacent lands both residential and non-residential be re-assessed every five years. In all the Pourashavas except Bogra, this rule was strictly followed. Table 17 shows the years of assessment, types of persons employed for assessment and the number of holdings assessed for

TABLE 17

ASSESSMENTS IN THE FOUR STUDY POURASHAVAS

	Year of last assessment	Year of previous assessment	Total Number of Holdings		Average increase in valuation in between the two last assesment	Types of persons employed
			Last Assessment	Previous Assessment		
Bogra	1977-78 ^{a/} 1983-84 ^{b/}	1966-67	7,565 ^{c/} 5,241 ^{d/}	7,000	100%	1 Own assessor, hired teacher, Lawyer
Comilla	1981-82	1976-77	9,500	9,192	60%	Hired assessors only, hired retired persons, graduates
Patuakhali	1983-84	1977-78	4,700	4,050	25%	2 Own assessors, hired retired persons, teachers
Tangail	1981-82 ^{a/} 1983-84 ^{b/}	1976-77	12,864 ^{e/}	8,557	40%	1 Own assessor, hired layer, student

Note : a/ old area only; b/ extended area only; c/ holdings in the old area only; d/ holdings in the extended area only; e/ including both old and extended areas.

Source : Interviews with Pourashava officials.

last two assessments. In Bogra, assessment was carried out in 1982/83 only for the newly extended area - not the existing area. Since regular assessment (5 yearly) takes at longer intervals, some Pourashavas feel it unnecessary to employ any permanent staff for this purpose. But the Pourashavas are also supposed to take up periodical assessments under Rule 31 within this 5 years to examine whether any major change has taken place to any structure, whether any new construction has been taken up, whether any owner--occupied house has been rented out or whether any major change has taken place in rents for houses or shops. One of the Pourashavas, Comilla had no permanent assessor.

The assessors are supposed to collect many information during re-assessments. They do not however take down so much information during the reassessments. In four Pourashavas visited nowhere were found all the information for every holding. In Bogra, the holding description register did not contain any information on the dimension of the structures. In Comilla, about 70%, in Tangail 80% and in Patuakhali 50% of the holdings did not mention the areas against the holding numbers. This created problem in comparison of rents

between houses and between Pourashavas. Problem was also created by the absence of information on building loan interest deductions and ages of the structures. Only the final valuation figures were found in the register. Information on loan interest was not recorded in the final register because that was not necessary according to the 1960 Rules. When asked to the officials about the proportion of tax payers having bank loans for house construction, they indicated very low figures, not more than 1% in any of the jurisdictions.

In Comilla, a five year register is maintained while in the other three Pourashavas two year registers are maintained to record the quarterly payments of holding tax. When the two years pass, in Tangail or Bogra, a new register is opened where the payments position is again described along with the names and holding numbers of tax payers. This is on the one hand time-consuming and on the other error-prone. In Patuakhali it was found that due to shortage of clerks they were unable to update the registers for the last two years. A five year or ten year register can easily help avoid such unnecessary duplication of work.

The record keeping is also not scientific. For this, readymade information like the number of holdings in particular tax bracket, number of properties of different types, payments position in particular tax bracket, government and private tax liabilities and current and arrear tax demand and collection is laborious to find.

For tax collection, assessment and maintenance of tax rolls, the Words in a Pourashava are further subdivided into several circles, sectors, mahallas, blocks, mouzas, or units. Bogra had 15 mouzas, Comilla 40 mahallas, Patuakhali 13 units and Tangail 34 mouzas.

Government and semi-government buildings are often assessed not by annual rental value method by the construction cost method. The problem with this method of valuation is that when valuation increases for almost every houses in every general assessment, valuation for these buildings remain the same overtime. Furthermore, there lies provision of valuing structures downward for old buildings although their rents in the open market might not have gone down actually if compared to other similar buildings.

Tax assessment is very important since upon it depends the amount of tax revenue. Some idea was made about

the performance of assessment from interviews with the sample households paying taxes (70 in each Pourashava), from the owners of the business concerns (50 in each Pourashava) and officials of the Pourashavas. Valuation in the most recent assessment was compared to the expressed rental values or probable rental values of the holdings during the field surveys in the months of October, November and December, 1985. Problem should be there since the comparison was made between the rental values of two periods. But the time intervals was not very large for Pourashavas except Bogra, and in between these periods no remarkable change in rents have occurred as found from the interviews. Also the under-reporting of rents by the households during the questionnaire survey should not make this comparison unrealistic.

From the casual discussions with various types of people it has been estimated that there should be under-reporting of rents in the questionnaire to the extent of about 20% to 30% in all the sample Pourashavas visited. Therefore, if it is assumed that there was an average rise of rents of 25% during the three years prior to the interviews (when the last re-assessment was carried out in Comilla, Patuakhali and Tangail) under-reporting balances out the rise of

rents. However, the writer still feels that no conclusion be drawn from the figures that follow since the sample was very small. For a larger sample, the results may not show such high levels of under-assessment.

The figures that have been calculated in Table 18 gave an idea of gross under-assessment. The extent of under-assessment varied from holding to holding and between Pourashavas. While the actual value varied between 3.0 times and 26.0 times of assessment value for pucca structures in Comilla, it varied between 10.0 times and 18.0 times in Patuakhali. In Bogra it varied between 8.0 times and 37.0 times. The difference is greater for Bogra because the last assessment was held five to six years before the assessments in other locations when rent was at a much low level. The average under-assessment in Bogra was 12.0 times for pucca structures. The average was 7.0 in Comilla, 12.0 in Patuakhali and 7.0 in Tangail. For semi-pucca structures the average under-assessment was higher for three Pourashavas. For Bogra it varied between 8.0 and 28.0 with an average of 17.0. Only in case of Comilla the rate of under-assessment was lower at an average of 7.0. For kutcha structures, the rate of under-assessment was lower for every Pourashava

TABLE 18

EXTENT OF UNDER-ASSESSMENT IN VALUATION OF RESIDENTIAL HOLDINGS IN THE STUDY POURASHAVAS

Type of Construction	Name of Pourashavas			
	Bogra	Comilla	Patuakhali	Tangail
1. Pucca				
a. Actual valuation (Tk) Per sq. foot of floor area on average, 1985/ <u>a</u>	16.0 (7.0-33.0)	19.0 (8.0-39.0)	18.0 (8.0-53.0)	16.0 (8.0-43.0)
b. Assesed valuation (Tk) Per sq. foot of floor area on average/ <u>b</u>	1.0 (0.7-4.0)	3.0 (1.0-16.0)	1.5 (0.8-4.0)	2.0 (1.0-9.0)
c. Times underassessed [a + b]	12.0 (8.0-37.0)	7.0 (3.0-26.0)	12.0 (10.0-18.0)	7.0 (8.0-16.0)
2. Semi-pucca				
a. Actual valuation (Tk) Per sq. foot of floor area on average, 1985/ <u>a</u>	8.0 (3.0-19.0)	13.0 (6.0-21.0)	6.0 (3.0-17.0)	4.0 (6.0-18.0)
b. Assesed valuation (Tk) per sq. foot of floor area on average/ <u>b</u>	0.5 (0.2-2.0)	1.8 (0.7-11.0)	0.7 (0.2-1.6)	0.6 (0.4-1.2)
c. Times underassessed [a + b]	17.0 (8.0-28.0)	7.0 (3.0-21.0)	9.0 (5.0-23.0)	7.0 (3.0-12.0)
3. Kutcha				
a. Actual valuation (Tk) Per sq. foot of floor area on average, 1985/ <u>a</u>	3.5 (0.4-6.0)	3.7 (0.4-7.0)	4.0 (2.0-7.0)	5.0 (0.5-8.0)
b. Assesed valuation (Tk) Per sq. foot of floor area on average / <u>b</u>	0.3 (0.2-1.2)	1.1 (0.1-3.3)	0.6 (0.2-1.5)	0.4 (0.2-0.8)
c. Times underassessed [a + b]	10.0 (6.0-18.0)	3.0 (1.4-16.4)	6.7 (4.2-12.4)	13.5 (6.9-19.0)

7a - Computed from Pourashava household questionnaires

7b - Collected from Pourashava official Registers

Note: 1. The values within the parentheses are the minimum and maximums.

2. Most recent assessment years: Bogra -1977-78; Tangail 1981-82; Patuakhali 1983-84; Comilla 1981-82.

except Tangail, where average times of under-assessment was 13.5.

(c) Appeals Against Assessment

In all the Pourashavas visited, appeals were very common after every re-assessment. Although aggrieved persons are supposed to file appeal petitions within one month (30 days) time of the receipt of new tax demand, they do so throughout the following year. In Bogra, petitions were received even after two years of completion of re-assessment. The main problem of revenue collection associated with appeal is that until the cases are decided the payers do not pay taxes at new rates and when they pay after the decision they do not agree to pay the fines attached with late payments. It becomes difficult on the part of the Pourashavas to dispose off so large a number of cases within a short time. Sometimes it has been found that although it is not lawful, some influential tax-payers appealed to the Pourashava Chairman directly and had their assessments reduced without having gone through the regular process.

The proportion of holdings appealing varies with Pourashava. While only about 4% of holdings appealed in Tangail, 58.5% appealed in Bogra. Table 19 gives information on appeals in the study Pourashavas.

TABLE 19
APPEALS IN THE STUDY POURASHAVAS

	Name of Pourashava			
	Bogra	Comilla	Patuakhali	Tangail
1. Number of holdings assessed in the most recent assessment	12,806	9,500	4,700	12,864
2. Number of Appeals	7,491	2,600	369	491
3. Number of Appealants successful	7,491	2,100	369	491
4. Percentage of Appeals to Total Holdings	58.5	27.37	7.85	3.82
5. Average decrease (%) of valuation after Appeal	75%	25%	40%	30%

Source: Interviews with Pourashava officials.

4) Tax Staff and Collection Performance

Tax administration is concerned starting from assessment of parcels to payment of taxes. Much of the tax revenue is thus dependent upon the efficiency of administration. Upon it depends accurate assessment and timely collection. Number of staff in tax collection establishment and their efficiency is crucial for collection of holding tax.

Tax collection per staff of collection section is dependent upon valuation pattern, rate of tax in the Pourashava and efficiency of collection, that is roughly the collection to demand ratio. Collection to demand ratio has been given in table 23. Valuation per square foot of floor area can be seen from Table 22 and the rates of holding tax from table 15. These three factors gives per tax staff collection of holding tax which have been shown in Table 20. Another factor that may also affect collection is the area and number of holdings covered per tax collector. If the collectors are to cover a larger number of holdings, it may not be possible on his part to be efficient. Figures show that per holding tax staff varies between Pourashavas. It varies from 365 in Comilla to 1286 in Tangail. Tangail's low average per holding collection may partially be attributed to high holding to collector ratio. Again, in both Patuakhali and Tangail

TABLE 20

RELATION BETWEEN TAX STAFF AND COLLECTION PERFORMANCE

	Name of Pourashava			
	Bogra	Comilla	Patuakhali	Tangail
1. Number of staff in Assessment and Tax collection Establishment (84-85)	24	26	9	10
2. Total Number of Holdings in 1984-85	12,806	9,500	4,700	12,864
3. Average Number of holdings per collector	533	365	522	1286
4. Average annual collection (Tk) of Holding tax (1975/76-1984/85)	13,45,819	9,64,155	5,02,517	5,89,675
5. Per Tax Staff Average Annual Collection of Holding Tax (1975/76-1984-85)	64,087	37,083	55,835	58,968
6. Average Per Holding Collection of Holding Tax (Tk)	105.09	101.49	106.92	45.84 ^{a/}

Note: ^{a/} Number of holdings increased from 8,557 in 1976-77 assessment to 12,864 in 1984-85, in Tangail, a sharp rise which was not the case in other Pourashavas except Bogra. This sudden rise explains partially the low per holding tax in Tangail Pourashava. The sharp rise in number of holdings in Tangail was mainly due to the addition of new holdings in the extended area where holdings were of smaller sizes with very low valuation. In case of Bogra, the extended area was not so low valued and included commercial areas and some mills and workshops.

Source: Computed from Pourashava Records

the collectors have to cover wider areas than the collectors in Bogra and Comilla. Considering this fact, the efficiency of collectors in Patuakhali seems to be better than both Bogra and Comilla. From such an observation it may be said that a point has not yet arrived for collectors in Patuakhali where the efficiency may begin to fall due to excessive burden of work. It may have arrived for collectors in Tangail. But in Comilla, may be, there are some surplus staff. Comilla's collectors despite their favourable positions collect lowest per collector and second lowest per holding. Also collection to demand ratio is lowest in comilla (see Table 12).

Holding tax constitutes the highest singular own revenue source to the four Pourashavas. Defaulting in tax payment is also highest in case of this tax. More than half of the tax-payers keep taxes in arrear at least for one year in all the Pourashavas surveyed.

Performance of holding tax collection can be measured in various ways. In a very simple way, per capita or per holding or per acre collection can be a measure of collection to see the performance of several Pourashavas. Extent of defaulting in tax payment may also be a criterion to assess the performance. Number of holding in arrear and amount of taxes outstanding

of them can also give pictures of collection performance. Similarly, annual demand of holding tax and percentage of collection therefrom may be another way to look at the performance of tax collection. The demand and collection divided into arrear and current amounts can give still better picture.

The holding tax collection performance can first be assessed by per capita, per holding and per acre of collections in the four study Pourashavas. Table 21 gives the figures for all these for a period 1975/76 - 1984/85.

The above table shows that Bogra's performance is judged best by all the three criteria. Comilla's performance is worst in per capita terms although not by per acre terms. This comparison is somewhat blurred by the fact that all the Pourashavas are not of equal size and density, valuation is not same for all due to difference in structural composition and because local to non-local ratio of inhabitants is not the same in every Pourashava. The higher the proportion of non-locals, the higher the chance of valuation since on the one hand demand for houses increases their value and on the other, valuation for rented house is 33 per cent higher than rent-free houses.^{19/}

TABLE 21
COLLECTION PERFORMANCE OF HOLDING TAX

Pourashava	Total collection in between 1975/76 to 1984/85 (lakh Taka)	Per capita collection (Tk)	Per holding collection (Tk)	Per acre collection (Tk)
Bogra	167.84	246	1,311	5,494
Comilla	93.31	74	982	3,482
Patuakhali	51.28	103	1,091	957
Tangail	60.31	78	469	1,027

Source: Computed from Pourashava Records

Both Tangail and Patuakhali fell behind in per acre terms due to their lower density of population compared to Bogra or Comilla. Valuation should not be of much difference in between structures of same quality between Bogra and Patuakhali (see Table 18) but what differs is the composition of structures. While in Bogra about 30% of the structures were pucca, in Patuakhali it was hardly 5% of the structures. In Tangail also only about 10% of structures were pucca while in Comilla the percentage was about 25. These along with the fact that density of population is lower in Patuakhali and Tangail explains the difference in holding tax between these jurisdictions. Bogra is advanced for another reason -- that is the presence of some industries within the Pourashava boundary which have higher valuation and more or less regular tax paying habits.

An effort was made in estimating the extent of defaulting for payers falling in various tax brackets in the four Pourashavas. One circle was chosen from each Pourashava having the best records of tax payment and therefrom serially grouped the holdings under several tax brackets showing their extent of defaulting. The best performing circles were chosen because of limited stay in the Pourashavas. This would, however, give an idea that at least defaulting was in

existence at that extent - if all the circles were considered, the picture would have been more dismal. Of course, care should be taken here not to generalise the number of holdings falling in particular tax bracket for the whole of Pourashavas on the basis of this circle since the best performing circle was in one of the high value residential areas in all the Pourashavas. Table 22 gives the number and percentages of holdings in arrear in these circles in the four Pourshavas.

Only 21% of tax-payers in Bogra, 49% in Comilla, 40% in Patuakhali and 28% in Tangail were up-to-date with their payments. There is no clear pattern which tax group pays the tax better. It is seen that in other Pourashavas except Comilla comparatively lower number of payers were in the higher tax brackets.

It has been estimated from this table that 79% of the tax-payers in Bogra, 42% in Comilla, 85% in Patuakhali, and 58% in Tangail fell within the maximum annual tax range of Tk. 150 per holding. Within a limit of Tk. 250 annual tax per holding, fell 92% of holdings in Bogra, 54% in Comilla, 91% in Patuakhali and 76% in Tangail Pourashava.

TABLE 22.a

NUMBER AND PERCENTAGES OF HOLDINGS IN ARREAR IN SELECTED CIRCLE IN THE FOUR
POURASHAVAS IN FIVE YEARS (1980/81 - 1984/85)

Annual Tax Range (Tk)	Up to date	No arrear	Bogra Pourashava (Circle 1)		Total
			Paid tax some times between the last and preceeding 3 years	Never paid in the last 5 years	
Up to 50	24 (16)	44 (29)	50 (32)	36 (23)	154 (51)
51 - 150	18 (22)	36 (43)	21 (25)	8 (10)	83 (28)
151 - 250	15 (39)	11 (29)	6 (16)	6 (16)	38 (13)
250 and above	6 (24)	3 (12)	9 (36)	7 (28)	25 (8)
ALL	63 (21)	94 (31)	86 (29)	57 (19)	300 (100)

TABLE 22.b

NUMBER AND PERCENTAGES OF HOLDINGS IN ARREAR IN SELECTED CIRCLE IN THE FOUR
POURASHAVAS IN FIVE YEARS (1980/81 - 1984/85)

Comilla Pourashava (Circle - Kandirpar).					
Annual Tax Range (Tk)	Up to date	No arrear	Paid tax some times between the last and preceeding 3 years	Never paid in the last 5 years	Total
Upto 50	15 (29)	5 (10)	3 (6)	28 (55)	51 (17)
51 - 150	35 (46)	2 (3)	3 (4)	36 (47)	76 (25)
151 - 250	19 (53)	2 (6)	6 (17)	9 (25)	36 (12)
250 and above	79 (58)	21 (15)	3 (2)	34 (25)	137 (46)
ALL	148 (49)	30 (10)	15 (5)	107 (36)	300 (100)

TABLE 22.c

NUMBER AND PERCENTAGES OF HOLDINGS IN ARREAR IN SELECTED CIRCLE IN THE FOUR
POURASHAVAS IN FIVE YEARS (1978/79 - 1982/83)

Patuakhali Pourashava (Circle - 2).

Annual Tax Range (Tk)	Up to date	No arrear	Paid tax some times between the last and preceeding 3 years	Never paid in the last 5 years	Total
Upto 50	42 (33)	51 (40)	5 (4)	31 (23)	129 (48)
50 - 150	48 (49)	20 (20)	12 (12)	18 (18)	98 (37)
151 - 250	7 (39)	4 (22)	1 (6)	6 (33)	18 (7)
250 and above	9 (39)	6 (26)	3 (13)	5 (22)	23 (8)
ALL	106 (40)	81 (30)	21 (8)	60 (22)	268 (100)

TABLE 22.D

NUMBER AND PERCENTAGES OF HOLDINGS IN ARREAR IN SELECTED CIRCLE IN THE FOUR
POURASHAVAS IN FIVE YEARS (1980/81 - 1984/85)

Tangail Pourashava (Circle - Betka)					
Annual Tax Range (Tk)	Up to date	No arrear	Paid tax some times between the last and preceeding 3 years	Never paid in the last 5 years	Total
Upto 50	28 (32)	15 (17)	37 (43)	7 (8)	87 (29)
51 - 150	31 (36)	19 (22)	32 (37)	5 (5)	87 (29)
151 - 250	16 (30)	15 (28)	19 (36)	3 (6)	53 (18)
250 and above	8 (11)	19 (26)	42 (58)	4 (5)	73 (24)
ALL	83 (28)	68 (23)	130 (43)	19 (6)	300 (100)

TABLE 22.e
AGGREGATE FOR FOUR POURASHAVAS

Annual Tax Range-(Tk)	Up to date	No arrear	Paid tax some times between the last and preceeding 3 years	Never paid in the last 5 years	Total
Upto 50	109 (26)	115 (27)	95 (23)	102 (24)	421 (36)
51 - 150	132 (38)	77 (22)	68 (20)	67 (20)	344 (30)
151 - 250	57 (39)	32 (22)	32 (22)	24 (17)	145 (12)
250 and above	102 (40)	49 (19)	57 (22)	50 (19)	258 (22)
ALL	400 (34)	273 (23)	252 (22)	243 (21)	1168 (100)

Note: Figures in parentheses in all the above tables (22.a to 22.e) in the last row and last column are percentages of total holdings. There in other rows refer to total number of holdings in that category.

Source: Pourashava records.

It is interesting to note that the percentage of holdings never paying taxes in the last five years is highest in Comilla (36%) and lowest in Tangail (6%). The percentage of holdings keeping taxes in arrear for such long times is also exhibited in Comilla's poor holding tax collection performance as evidenced from the Table 20. Also the system of serving Distress Warrants (D.W.) to recover arrear taxes was weak in Comilla. In Comilla, no D.W.s were served in the last two years. Tangail and Patuakhali served significant numbers of D.W.s in the last two years (see page). In Bogra, the Tax collector said that there was no need for serving D.W.s in the last two years as whoever was approached with a demand notice for paying arrear taxes paid that within the given time. But such a high figure (195) of gross defaulting in case of Bogra is not in congruence with facts. If the picture was like as pronounced by the Pourashava officials, probably the Pourashava was not putting enough effort at recovering the taxes.

Demand and collection of holding tax in the four Pourashavas for the last ten years can be seen in Appendix Table C.5. This shows that the volume of holding tax demand increased several times in all the Pourashavas - from about twice in Comilla to over nine times

in Tangail in between the ten year period from 1975-76 to 1984-85. The volume of collection more than doubled in Comilla while increased more than six times in Bogra. Judged from the point of view of percentage collection, Bogra's performance was the best with 62.79% of collection to demand in the last ten years ranging between 50.92% in 1976-77 to 71.60% in 1979-80. Comilla varied between 21.53% and 36.18% only, having the poorest collection performance. Patuakhali collected within the ranges 40.70% and 59.78% having a total of 51.12%. Tangail's total collection was 36.55% only.

Average annual collection performance between 1975/76 - 1984/85 is given in Table 23. In terms of volume, Comilla had the highest position with a demand of Tk. 65 lakh on average in the ten year period. Bogra closed to it with Tk. 53 lakh. Tangail and Patuakhali ranked third and fourth with Tk. 33 lakh and Tk. 20 lakh respectively. In case of collection, however, Bogra tops the list with over Tk 33 lakh on average. Comilla collected only slightly more than half that of Bogra on average. In terms of percentage of total collection, the position remains almost same for Bogra, Patuakhali and Tangail in Between 1975/76 - 1979/80 and 1980/81 - 1984/85. Comilla improved much from 22.49% in the first five years' average to 32.94% in the later five year period. The better performance of collection in Comilla was more due to improvement

TABLE 23

AVERAGE ANNUAL ARREAR AND CURRENT DEMAND AND COLLECTIONS OF HOLDING TAX

(In Lakh Taka)

Period	Name of Pourashava	Average annual demand (Tk)			Average annual collection (Tk)			Arrear collection in (%)	Current collection in (%)	Total collection in (%)
		Arrear	Current	Total	Arrear	Current	Total			
1975/76- 1979/80	Bogra	5.78	11.08	16.86	3.15	7.69	10.84	54.50	69.40	64.29
	Comilla	19.44	7.41	26.85	3.72	2.32	6.04	19.14	31.31	22.49
	Patuakhali	2.94	3.86	6.80	1.35	2.09	3.44	45.92	54.14	50.59
	Tangail	4.61	4.73	9.34	1.93	1.64	3.57	41.87	34.69	38.22
1980/81- 1984/85	Bogra	10.59	25.99	36.58	5.58	17.15	22.73	52.69	65.99	63.14
	Comilla	22.57	15.71	38.28	7.38	5.23	12.61	32.70	33.29	32.94
	Patuakhali	6.11	7.13	13.24	2.23	4.60	6.83	36.50	64.52	51.59
	Tangail	12.84	10.82	23.66	3.89	4.60	8.49	30.30	42.51	35.88
1975/76- 1984/85	Bogra	16.37	37.07	53.44	8.73	24.84	33.57	53.33	67.01	62.81
	Comilla	42.01	23.12	65.13	11.1	75.5	18.65	26.42	32.66	28.63
	Patuakhali	9.05	10.99	20.04	3.58	6.69	10.27	39.56	60.87	51.25
	Tangail	17.45	15.55	33.00	5.82	6.24	12.06	33.35	40.13	36.45

in arrear collection than current collection. Except for Tangail in the 1975/76 - 1979/80 period, in other periods and in total the percentage of current average collection was more than the percentage collection from the arrears.

Distress Warrants (D.W.)

Out of the four Pourashavas, Patuakhali and Tangail issued D.W.s in the last two years. Bogra had some warrants in 1980-81 but Comilla did not issue any in the recent past. Patuakhali issued 129 D.W.s in 1982-83 and 165 D.W.s 1983-84. Tangail issued 344 D.W.s in 1983-84 and 20 D.W.s in 1984-85. The officials in Tangail, Bogra and Comilla informed that the present elected Chairmen were unwilling to issue D.W.s. It has also become clear from the talks that D.W.s were issued only after the imposition of Martial Laws and during the tenure of government appointed administrators in the absence of elected Chairmen. Administrators were more willing to recover arrear taxes than the Chairmen through the issuance of Distress Warrants.

Though D.W.s were issued, in no instance did any auction of property took place. According to the officials, the defaulters paid the entire arrear amount immediately or a significant portion therefrom commi-

ting to pay the rest within a short period.

The problem with D.W.s is that when over 50% of the holdings remain regularly in the defaulting list, D.W.s cannot be an efficient method to cover so large a number of defaulters. There is no internal arrangement even to issue D.W.s after any fixed period of non-payment in any Pourashava. Under this situation the use of D.W.s become discriminatory. The rich defaulters can often remain outside its effect through their influences. The poor defaulters when approached after a long time with a big sum as arrears, fail to pay that amount. the unauctionable belongings they posses often become useless to recover arrear taxes.

5.2.1.2 Immovable Property Transfer Tax (IPTT)

Immovable property transfer tax (IPTT) or urban immovable property transfer tax (UIPTT) in case of Pourashavas is an important source of income constituting about 4 per cent of own revenue income for the four Pourashavas. It is a shared tax with the government. This tax is collected by the employees of Ministry of Law and Land Reform Posted in the District Registrar office. After retaining 3% of the total collection to meet administrative expenses, the rest is distributed to the respective Pourashavas within whose bounary the transfer of property has taken place.^{20/}

The rate of IPTT is low in Bangladesh. It is only one per cent of the reported value of the property. The tax is collected from the purchaser of a property. A comparison of the rates with other countries will show how low the rate in Bangladesh is. Appendix Table C-6 shows this.

The IPTT is levied on the value of land and structures upon it, if any, excluding the movable items like animals, vehicles or furnitures. The tax is normally collected on the reported value of the property, although that should have correspondence with the market value and morally the tax collectors are supposed to ensure this part to collect the correct amount. In reality the recording officers do not always attempt to verify the true market value of a property under transaction. The buyer of a property tries to understate the amount because IPTT and other duties payable are proportionately related with this value. A seller may also wish to understate the sale price because a higher price means larger capital gains and wealth tax.

The tax collecting officer is not bound by any law to verify the actual market value of property.^{21/}

There are in total six levies attached to immovable property transfer - four for the purchaser and two for the seller. The purchaser pays IPTT, Stamp Duty, Registration fee and land development tax; the seller pays capital gains tax when his sale price is higher than his purchase price of the property, if he has so purchased, and wealth tax. Except land development tax, all other taxes are fixed on the basis of transaction value. So this value is very important for actual revenue collection. Appendix Table C-7 shows what is the total amount a buyer has to pay when he buys property.

The table shows that percentage tax burden increases with the increase of property value. It is 8.2% when property values Tk 1,000 but rises to 19.9% when property values Tk 1,000,000. When both the rates for stamp duty and registration fee increases with the increase of value, the rate remains fixed for IPTT at one per cent only.

The total annual collection may increase if greater volume of transactions take place or if prices of properties increase or due to both. An increase in tax rate and improvement in collection efficiency can also improve revenue. In Bangladesh probably the first two have been the causes of rise of IPTT

revenue. However, lack of statistics constrains any attempt to see which of them is more important in boosting revenue.

IPTT Revenue in Pourashavas of Bangladesh

Although the tax rate is low still IPTT adds significantly to the Pourashava income. Table 24 shows how IPTT contributed to the Pourashava income.

The results of three streams of calculations have been shown in the above table. In taka terms, there have been a continuous increase in IPTT revenue over the last decade. The revenue from this source increased about 4 times in between 1975-76 and 1984-85 in the four Pourashavas. As is shown the percentage of total revenue from IPTT in these years varied around 3 and percentage of own revenue varied around 4 in both 15 and 4 Pourashavas. However, the figures are slightly lower in case of 45 Pourashavas in 1982-83.

It has been estimated that while in current Taka IPTT in 15 Pourashavas increased by 206%, in 1976-77 constant Taka it increased by only 86.3%. The nominal and real in 1975-76 constant Taka increases in the

TABLE 24

IMPORTANCE OF IPTT IN POURASHAVA FINANCES

Year	Pourashava Revenue from IPTT (Lakh Taka)			IPTT Revenue as % of P. own Revenue			IPTT Revenue as % of P. total Revenue		
	Total of 45 Ps/a	Total of 15 Ps/b	Total of 4 Ps/c	45 Ps	15 Ps	4 Ps	45 Ps	15 Ps	4 Ps
1975-76	-	-	1.22	-	-	3.29	-	-	2.66
1976-77	-	26.10	1.71	-	3.2	4.32	-	2.8	3.22
1977-78	-	34.45	2.12	-	6.8	3.44	-	2.9	2.58
1978-79	-	46.11	4.12	-	3.9	5.12	-	3.5	4.04
1979-80	-	73.57	3.72	-	5.2	3.66	-	4.5	3.05
1980-81	-	79.87	4.16	-	4.2	4.03	-	3.7	3.30
1981-82	-	-	4.08	-	-	4.36	-	-	2.61
1982-83	136.43	-	4.76	3.23	-	4.20	2.16	-	2.59
1983-84	-	-	4.92	-	-	3.72	-	-	2.21
1984-85	-	-	5.64	-	-	4.02	-	-	2.25

Source: /a - Computed from revenue records of 45 Pourashavas collected from M/O LGRD

/b - From 15 Pourashava analysis, the Roads Local Government Project, Report No. 3, p. 5.

/c - Computed by the author from 4 Pourashava revenue records.

four Pourashavas were 166% and 66% respectively. Table 25 shows how per capita IPTT revenue increased over time in the sample Pourashavas.

Records show that income from IPTT rose both in nominal and in real terms in the recent years in the four study Pourashavas. Appendix Table C-8 shows how nominal and real income from IPTT changed in these Pourashavas in the last nine years. From this table it is found that at both nominal and real terms, Bogra had the highest rate of IPTT revenue growth followed by Tangail. In two years, 1978-79 and 1982-83, IPTT revenue rose sharply for all the Pourashavas. There must have been more transactions of properties in these two years in all the Pourashavas. The increase of revenue in 1982-83 is partly explained by the 2% increase of share of IPTT revenues for Pourashavas from 95% to 97% of collection, allowed by the government from the same year. The increase in case of Bogra is explained also by the extension of Pourashava area in 1982-83.

Nominal and real growth or per capita nominal and real growth shows half the performance of IPTT collection in a particular jurisdiction. Other important variables for this are per acre of tax collection,

TABLE 25

PER CAPITA POURSHAVA REVENUE FROM IPTT (TAKA) IN FOUR POURSHAVAS FOR SELECTED YEARS

Pourashava	1975-76		1979-80		1983-84		Percentage Change 1975-76 to 1983-84	
	Nominal	Real	Nominal	Real	Nominal	Real	Nominal	Real
Bogra	0.67	1.30	1.23	2.98	1.86	344.78	177.61	
Comilla	0.49	0.49	0.47	0.93	0.58	89.80	18.37	
Patuakhali	0.67	0.90	0.85	0.85	0.53	26.87	-20.86	
Tangail	0.58	2.27	2.16	1.66	1.04	186.21	79.31	
TOTAL	2.41	4.96	4.71	6.41	4.01	165.97	66.39	

Note : 'Real' in 1975-76 constant Taka. Investment goods index was used. The price deflators used were from 'Statistical Yearbook', 1983-84, p. 574.

Source : Pourashava Records

collection in relation to economic activities, and whether recorded value of transactions reflects market value or not. Data for analysing the later two are difficult to find. About the question of hundred per cent registration the Pourashava officials reported that there was no scope of total evasion since proof of ownership is required in case of development, re-sale or to prove legal possession of the parcel to any approaching person - official or non-official.

The per acre IPTT revenue in a Pourashava is possibly related with value of land, economic activities, extent of under-reporting and urbanisation. Bogra has a higher value of land than Patuakhali and economic activities like trading, manufacturing is more strong in Bogra than Patuakhali. This may be causing more land transfer in Bogra. But under-reporting was more common in Bogra than in Patuakhali as it became evident from the interviews with the Pourashava officials. From the interviews with officials it emerged that in three Pourashavas, that is, Bogra, Comilla and Tangail understatement of value was common in case of property transfer while in Patuakhali a slight overstatement was a common practice. So the three Pourashavas were loosing some potential revenue due to under-reporting while Patuakhali was not loosing

if not at least gaining anything. According to officials in Bogra there was a general under-reporting of value during registration in between 30% and 50% of actual market value. In Patuakhali, the officials said that over-reporting was more common due to fear of pre-emption and acquire of land by the government. The over-reporting was normally to the extent of 10% to 15% of value. Instead of over-reporting, Patuakhali remain much behind Bogra in per acre revenue collection.

On a per acre basis, it has been estimated that Bogra Pourashava has the highest revenue from IPTT. It, in the ten year period, received Tk. 567 per acre while Patuakhali received only Tk. 75. The per acre IPTT revenue receipts for Comilla and Tangail was respectively Tk. 275 and Tk. 210 in the same period.

The higher numbers of transfers in Bogra along with higher values of property might have been the reason for difference in per acre collection. On an average, the value of land was nearly twice as much in Bogra in December, 1985 as in Patuakhali. Also, when the value of residential land in Bogra increased, according to Pourashava officials, 5 times in between 1975-76 and 1984-85, and commercial land 10 times within the same period, price increased two-fold for residential

land and three-fold for commercial land on average in Patuakhali within the same period as said by the Pourashava officials.

5.2.2 Activity Based Revenue

Since urban centres are areas of increased economic activities, there lies scope for taxation in this area. The avenue covers business, amusement, erection of buildings, advertisement, vehicles and animals. The license section is in charge of collection of these taxes in the Pourashavas. The following discussion will concentrate on the business tax, officially called "Tax of professions, trades and callings".

5.2.2.1 Tax of Professions, Trades and Callings

This tax can statutorily be levied on all business, firms, mills, factories, shops, banks, insurance companies or any other profit earning organisations. The tax is also leviable on professionals like lawyers, engineers and doctors practising within the Pourashava boundary. The Pourashavas impose taxes on these according to the prescribed rate mentioned in the Tax Schedules. Pourashavas are however found to impose taxes on the business concerns and not on professionals. In none of the survey Pourashavas.

there was any record of collection of taxes on professionals.

The taxes levied by the Pourashavas are extremely low in comparison to the total capital invested or incomes earned. The revenue is collected against the issuance of license. The rate for these are fixed almost since early 1960's. The rate for contractors was changed only in Bogra Pourashava. In Bogra, it was changed twice, once in 1978-79 and then in 1981-82. The two types of licenses that were issued in Bogra against a deposit of Tk 100 and Tk 75 upto 1977-78, were increased to Tk 200 and Tk 150 in 1978-79 and again to Tk. 300 and Tk 200 in 1984-85. In Tangail, the rates for different trade taxes that were between Tk 3 and Tk 100 were raised in between Tk 5 and Tk 300 in 1981-82. The rates currently in effect are displayed in the Table 26.

The business tax rates are very low. In all the Pourashavas the officials were of the opinion to increase the rates several times. All the Pourashavas except Patuakhali sent fresh proposals to the ministry for increased rates for them. None however received approval for enhancing rates and so continuing with the old rates.

Surveys carried out in different Pourashavas revealed

TABLE 26
BUSINESS TAX RATES IN STUDY POURASHAVAS (TAKA PER YEAR)

Type of Business	Name of Pourashava			
	Bogra	Comilla	Patuakhali	Tangail
1. Companies, Firms, Mill, Factory, Wholesale Merchants	50	50	50	30,50
2. Retail Traders, Hotels	12,24	12,24	6,10,12, 24,16,20, 8,25	12,24
3. Trade License/Permit (Mill, Factory, Storage)	24	24	25	24
4. <u>Contractor License</u>				
Class I	300	300	150	300
Class II	200	200	100	250
Class III	-	100	50	150

Source: Pourashava information.

that the coverage of the trade licenses was quite high. In none of the central business areas was found anyone trading without a trade license, except the temporary vendors and hawkers. But the road side small shops, mostly within busy residential areas were found to possess no licenses. Many of the traders were however found not to have renewed their licenses for the current year although they were due to be renewed in July 1. Appendix Table C-10 shows different types of trade licenses issued to the four Pourashavas in two different years. Bogra and Comilla did not maintain disaggregated figures for different trade licenses.

5.2.2.2 Other Activity Based Revenues

Other activity based taxes are cinema and theatre, births, marriages and feasts, vehicles, animals, new construction, and advertisements.

No Pourashava imposed taxes on entertainments other than cinema. There was no tax on animals in two Pourashavas and only Patuakhali was collecting taxes on advertisements. None were collecting anything against birth, marriages or feasts. While Bogra was collecting fees at the annual exhibition, it has become impossible in the last two years to collect

from that. The Pourashava was supposed to receive about Taka one lakh from the Taka 7 lakh auction sell of exhibition premises in the last financial year which it failed to collect for certain unknown reasons.

There are prescribed rates for all these taxes in the Model Tax Schedules. The rates along with the imposed rates of four Pourashavas are given in Table 27.

Tax on advertisement was imposed only in Patuakhali Pourashava. It collected at the rate of Taka 2 per square feet, if the size of the signboard exceeded 12 square feet. For very large sized signboard or billboards, the tax was fixed at Tk 100 per year. Those below the size of 12 square feet were not taxed.

Taxes on the slaughter of animals was collected at extremely low rates in all the Pourashavas. Comilla leased the sloughterhouse on an annual basis to avoid the problems with such a small collection itself.

The present tax rates were on the one hand low and on the other regressive. When the rate for a rickshaw was about Tk 30 the rate was Tk 6 for a saloon, Taka 12 for a medium sized shop and Taka 50 for a manufacturing company. Moreover, the rates for rickshaw increased in the last few years while other rates

TABLE 27

RATES FOR CERTAIN ACTIVITY BASED TAXES AND FEES IN THE STUDY POURASHAVAS

Taxes/Fees	Name of Pourashava				Rates of Model Tax Schedule	
	Bogra	Comilla	Patuakhali	Tangail	Old	New
1. Entertainment	10%	2%	10%	5%	10%	15%
2. Vehicles:						
<u>Rickshaw owner</u>						
Renew	Tk 25	Tk 50	Tk 30	Tk 30	Tk 3-20	Tk 5-75
New	Tk 25	Tk 70	Tk 30	Tk 30		
<u>Rickshaw Puller</u>						
Renew	Tk 2.5	Tk 10	Tk 8	Tk 5		
New	Tk 2.5	Tk 15	Tk 8	Tk 5		
Bullock Cart	Tk 6.5	Tk 12	-	Tk 22		
Push Cart	Tk 4.5	Tk 10	Tk 15	Tk 22		
Van	Tk 25	Tk 12	-	Tk 30		
Bicycle	Tk 3	Tk 3	Tk 3	Tk 3		
Boat	-	-	-	-	Tk 2-20	Tk 20-500
3. Animals:						
Cow	Tk 4	-	Tk 2	-	Tk 1-25	Tk 10-125
Goat	Tk 1	-	Tk 1	-		
Buffalo	Tk 8	-	-	-		
4. Slaughter of Animals:						
Cow	Tk 2	On lease	Tk 1	Tk 0.5	Tk 1	Tk 10
Goat	Tk 1		Tk 0.5	Tk 0.25	Tk 0.25	Tk 5
5. Advertisement	-	-	Tk 2 per sq. foot	-	Maximum 5%	Tk 12-22
6. Fair, Show	15%	-	-	-	No Fixed Rates	
7. Birth, Marriage	-	-	-	-	Tk 2-500	Tk 5-500
8. Construction/ Reconstruction	On the size of floor area and construction material used				Tk 6-50	Tk 20-325

Source: Pourashava information.

remained the same. In Bogra, rickshaw license tax was increased thrice in the last 5 years. In Tangail it was increased in 1981-82.

5.2.3 Income From Pourashava own Property

Some Pourashava have got certain properties like land, buildings, shops, auditorium, barding houses which they rent out to earn income. Some have got derived properties like Comilla which operates a bus terminal which it constructed under a grant programme of Chittagong Divisional Development Board. Patuakhali has seven ponds where fish is cultivated and sold.

Table 28 shows what types of properties the four Pourashavas have which earn them rent and profit.

Haats and bazars in the Pourashavas are auctioned annually to the highest bidders who operate them and collect tolls from the sellers. In Comilla, the Pourashava auctions haats and bazars for three years at a time.

Comilla and Bogra have their own shopping complexes in the busiest commercial areas of the town. Rents examined in the shops in those markets revealed that they were lower than private shops. The per square

TABLE 28
OWN PROPERTIES OF THE POURASHAVAS

(Yes = Y, No = N)

Type of Property	Mode of Possession	Name of Pourashava			
		Bogra	Comilla	Patuakhali	Tangail
1. Hat/ Bazar	Derived	Y	Y	Y	Y
2. Land and Building	Own	Y	Y	Y	Y
3. Boarding House	Own	N	Y	Y	N
4. Shops	Own	Y	Y	N	N
5. Audito- rium	Own	Y	Y	Y	N
6. Bus Stand	Derived	N	Y	N	N*
7. Pond	Own	N	Y	Y	Y
8. Ferry- ghat	Derived	N	Y	Y	N

*The Bus stand which belonged to the Pourashava was recently handed over to the Zilla Parishad by the Government for improvement. The bus stand might not be returned back to the Pourashava from the Zila Parishad.

Source: Pourashava information

foot rent in the Kandirpar Pourashava shops at Comilla were Taka 0.50 whereas the rents in other shops in the same locality varied between Taka 0.75 to Taka 1.00 per square foot. The Pourashava distributed these shops with a key-moeny (Salami) of only Taka 5,000. So there was no reason for a low rent per square foot of those shops. Usually those shops with a larger amount of key-money were found to have lower rents. In the similar way, rents were lower for shops in Bogra Pourashava. The per square foot rent which was so far Tk. 0.75 was only recently increased to Tk. 1.25. Still compared to other shops of similar locations the rents were about 50% lower. Bogra also attached a key-money of Tk 5,000 while distributing the shops at Saptapadi shopping complex. The key-money of similar shops were about Tk. one lakh or above.

Comilla Pourashava operates a bus terminal (Central Bus Terminal). The Pourashava employees directly conducts it. There is a fixed tax of Tk. 5.00 per bus per day (24 hours) which the officials collect. The rate according to the Pourashava official were low. According to them they should be allowed to collect Tk. 5 per bus per trip in the same way the

Zilla Board was collecting from its bus terminal at Shashangacha.

Except Bogra, all the other Pourashavas have several pond each. But except Patuakhali none has a satisfactory income from those. The ponds are generally leased out. The auditorium which Bogra, Comilla and Patuakhali belong also earns very little incomes as those could only be let out occasionally. Ferryghats are leased out to bidders. In Comilla they said there were occasions when bidders colluded that brought down auction price -- but it was not a common event. Boarding houses in Patuakhali were found to be leased out. But in Bogra they let out their buildings on an annual rental basis.

5.3 Government Grants

Government grant as a percentage of Pourashava revenue has grown rapidly only in the recent years. All the Pourashavas of Bangladesh together on the average received slightly more than half of their resources as central grant in 1983-84 according to Bangladesh Bureau of Statistics (see Table 3). In the four Pourashavas studied the percentage of grant in total revenue was about 41% in the same year (See Appendix Table c.2).

The receipt of grants in the recent years in Pourashavas of Bangladesh is on the high side if compared to some nearby developing countries, specially India. Countrywise data was not available for India -- so some municipality and states have been chosen to show how grants are apportioned in their total resources. For Philippines, one year's of data was available where percentage figures for 48 Municipalities and 42 cities was given. The Appendix Tables C-1a to C-1d will show these.

It seems from these tables that none of the municipalities except some West Bengal Municipalities has a higher percentage of grants like Bangladesh in the recent years. It is also evident that small urban areas are more dependent on grants than large ones unlike Bangladesh where Dhaka is more dependent than many medium sized or smaller Pourashavas.^{22/}

Central resource sharing with local bodies is a universal phenomenon. What they differ is in the distribution pattern of this resource among various local bodies and between units in similar types of local bodies. While in some countries grant distribution favour those areas having the maximum resources awaiting productive utilisation, in others these are mainly-

for the most needy local bodies and in some they are distributed on population or area basis. The Bangladesh grant system has traditionally been of the last category where population is the basis for grant distribution. However, grant distribution in urban areas cannot proportionately be related to population since different types of grants are distributed on different criteria and all Pourashavas do not qualify for all the grants in the same ratio. This becomes clear when we see that Dhaka Municipal Corporation received around 60% of total urban grants having 37% of total urban population.

Here, discussion will focus on grant system in the urban areas; but since grant programme associates other local bodies, some related discussion is necessary. Table 29 gives the pattern of grant distribution in urban and rural areas of Bangladesh in recent two years.

Today, the rural areas on per capita terms receiving about three times more grant than the urban areas. The picture was just the reverse in the late 1970s and early 1980s, when per capita grants to urban governments were three-to-four times greater than to rural governments.^{23/} Between 1973-74 and 1980-81,

TABLE 29

GRANT DISTRIBUTION IN THE RECENT YEARS IN BANGLADESH

(In Millions of Taka)

Type of Grant	Revised Budget 1983/84	Budget 1984/85	% of Total		Per Capita (Tk)/ ^a	
			1983/84	1984/85	1983/84	1984/85
Urban Grants	284.5	278.3	100.0	100.0	20.17	19.74
Normal ^{/b}	8.3	8.3	2.9	3.0	.59	.59
Octroi	75.0	75.0	26.4	26.9	5.32	5.32
W.P.	73.1	91.5 ^{/c}	25.7	32.9	7.30 ^{/d}	9.13 ^{/d}
Special Dev. Projects	128.1	103.5	45.0	37.2	31.40 ^{/e}	25.37 ^{/e}
Rural Grants	3574.6	4380.5	100.0	100.0	47.10	57.71
Normal ^{/b}	114.1	114.0	3.2	2.6	1.50	1.50
Rural Works	28.0	36.5	0.8	0.8	.37	.48
Dev. Assistance	1709.5	2300.0	47.8	52.5	22.52	30.30
Special Infrastructure	1723.0	1930.0	48.2	44.1	22.70	25.43

^{/a} - based on 1981 popⁿ

^{/b} - Information on normal grants obtained from the M/O L. Govt.

^{/c} - From 1984/85 U. Dev. Assistance grant

^{/d} - Based on the U. Popⁿ in Dhaka and Chittagong

^{/e} - Based on the Popⁿ of Dhaka and Chittagong

Source: Schroeder, L. "Urban Government Finance and Management Issues in Bangladesh", The World Bank, 1985, p. 53.

there was no growth in real per capita grants in local bodies in Bangladesh.^{24/} No relationship could be made about growth of grants to growth of GDP, central government revenue or rate of inflation.^{25/}

The grants are meant mainly for paying a portion of the salaries and compensations of local employees, honorariums of elected representatives, maintenance of infrastructures, and development of roads, culverts, drains and canals. The urban portion of the grant is known as follows.

- i. Special salary (subvention) grants
- ii. Compensatory grants for special purposes like mosquito eradication, education programmes, medicine and injections
- iii. Octroi compensation grants
- iv. Urban Works Programme grants (since 1984-85, Urban Development Assistance Grant)
- v. Special development project grants.

Numbers i and ii are collectively called Urban Normal grant.

Normal or recurrent grants in Pourashavas have grown very slowly in the last decade. The basis for this grant distribution was need for additional resource for salaries of staff in the respective Pourashavas and the traditional quantum of aid that had been flow-

ing. In many jurisdictions the absolute amount of this grant has actually declined.

Octroi compensation grant was started from the fiscal year 1981-82 as a replacement to their lost income from octroi tax which was suspended by a central decision at the recommendation of the Taxation Enquiry Commission. The amount of this compensation was fixed at a level about three-fourth the average collection figures of individual Pourashavas in 1980-81, 1979-80 and 1978-79. Till the introduction of this grant the amount under this programme remained static for three successive years upto 1983-84. Although there was a plan in 1983-84 to increase the amount by a significant level, this was not ultimately carried through and receipts of grants under this head in many Pourashavas showed no improvement. So the increased figure which was shown in 1983-84 revised budget in Table 30 have actually been close to the earlier years' figures. In 1984-85 fiscal year again a higher quantum of octroi grant was earmarked. This time although grants increased, it did not increase to the anticipated level, i.e. according to the planned quantum. The figures for octroi grant for four study Pourashavas show only 12.4 per cent rise in this grant. So it can be assumed that grants under this programme

TABLE 30
URBAN GRANTS IN BANGLADESH (1979/80 - 1984/85)

(In Million Taka)

Year	Special salary grants	Compensatory grants	Octroi grant	V.W.P grant	U.Sp.Dev. Project (only Dhaka and Chittagong amount included)	Total
1979/80	1.80	7.49	-	21.40		30.69
1980/81	1.94	6.52	-	30.00		38.46
1981/82	1.81	8.06	33.22	48.00		91.09
1982/83	1.99	8.23	27.89	70.00		108.11
1983/84 ^{a/}	1.80	6.52	75.00	73.10	128.1	284.52
1984/85 ^{b/}	1.80	6.52	75.00	91.50	103.5	278.32

a/ - Revised budget estimate

b/ - Budget amounts

Source: M/o Finance and Planning, Demands for Grants and Appropriations (Non-Dev.) selected annual budget (Dhaka)

did not rise to any significant level that year too.

Urban Works Programme (UWP) grants has been the primary development grant for the urban local bodies in Bangladesh. The purpose of the grant has been development and maintenance of infrastructure, helping the poorer groups with employment opportunities and training the local bodies to conduct small projects with local participation. The resources under UWP has grown in current and in constant prices. Dhaka Municipal Corporation did not share the money since 1982-83 and Chittagong Municipal Corporation did not receive anything from this fund in 1984-85. Hence, the share of WP grants in other Pourashavas must be increasing as total fund is still growing. The growth of UWP grant has shown marked increase in the four study pourashavas as seen in Table 31.

There is percentage variations of grants receipts under different heads in different Pourashavas. Normal grant constituted 3.66% of total grant in Patuakhali while it constituted 18.98% in Tangail. Similarly, grants under Works Programme constituted highest percentage of Tangail's grant income while in Patuakhali it constituted lowest percentage. Income from octroi compensation grant was very low in Patuakhali in comparison to other Pourashavas. Total volume of grants

TABLE 31
TOTAL GOVERNMENT GRANTS RECEIVED BY THE POURASHAVAS
IN BETWEEN 1975-76 AND 1984-85

(In Lakh current Taka)

G r a n t s	Bogra	Comilla	Patuakhali	Tangail
1. Normal	12.34 (8.85)	16.60 (14.53)	4.14 (3.66)	14.77 (18.98)
2. Works Programme	35.93 (25.77)	53.94 (47.21)	27.01 (23.9)	42.27 (54.32)
3. Octroi Compensation	36.91 (26.48)	39.26 (34.36)	1.78 (1.57)	14.70 (18.89)
4. Sp. Dev. Grant	54.22 (38.89)	4.45 (3.89)	80.09 (70.86)	6.07 (7.80)
5. Total Grant	139.40	114.25	113.02	77.81
6. Grant as % of Total Revenue	30.23	26.26	55.96	31.45
7. Annual average growth rate of grant within 1975-76 and 1984-85	15.14	16.05	19.57	17.99
8. Per capita grant (Tk)	242	107	293	120
9. Grant per acre of P. Area (Tk)	4,563	4,263	2,109	1,325

Note : Figures in parentheses are percentage shares of individual grants to total grant in a Pourashava

Source : Pourashava records

received was not very different between the Pourashavas except for Bogra and Tangail - Bogra received nearly twice the amount Tangail received in this ten years.

Patuakhali's share of grant in total income (55.96%) was much higher than other Pourashavas. The percentage composition of grant was little over 30 per cent for Bogra and Tangail and 26 per cent for Comilla. There was no marked difference in the average annual growth rate of grants which varied between 15% in Bogra and 19.5% in Patuakhali. There was of course some large difference in per capita grants receipts in between the Pourashavas. While Bogra and Patuakhali was closer with higher per capita grants, Comilla and Tangail was closer with low per capita grants. Patuakhali led with a per capita grant of Taka 293 while Comilla bottomed the list with Taka 107 per capita. In case of per acre grant receipt, Bogra and Comilla were in favourable positions with smaller land areas of almost equal size while the nearly equal sized but larger Pourashavas of Tangail and Patuakhali was in unfavourable positions. Bogra had the highest receipt per acre with Take 4,563 followed by Comilla with Taka 4,263, Patuakhali Taka 2,109 and Tangail Taka 1,325.

The problems that Pourashavas face regarding UWP grants are mostly that of pre-planning of projects since information on grant receipts comes after the preparation of Pourashava budget. As UWP grants are allocated in the government's capital budget (ADP) which comes out in late June every year, the share of individual Pourashavas is received even later, sometimes in July or August.

There is no clear formula for distribution of UWP grants. As is assumed, population and land area may have been two of the important variables that guided its allocation. According to Pourashava officials UWP grants depends also on a third variable that is "persuasion" by Pourashava Chairman and the Accountant in the Ministry of LGRD. The disbursement of allocated funds is also to a large extent dependent on this persuasion factor. Due to this factor probably, a clear basis for UWP grant distribution cannot be made from the figures. Erratic rise or fall of this grant in different years in the study Pourashavas imparts credit to this view.

Special development grants or town development grants as locally called, are distributed according to needs of maintenance and development of infrastructures

in Pourashavas. There are large variations in its distribution as evidenced in the Table 31. While Patuakhali received Taka 80.09 lakh, Comilla received only Taka 4.45 lakh in the ten year period.

6. OBSERVATIONS AND CONCLUSIONS

6.1 The Holding Tax

Holding tax demands attention for improvement from seven points of view - rates, assessment, coverage, record-keeping, collection, appeal and measures against defaulting. Issues related with each along with suggestions for improvement are given below.

Rates

Rates for holding tax are fixed by the government. Since 1961, there have been only one revision of these rates in 1985. The recent change lowered the house portion of holding tax and the water rate. Lighting and conservancy rates have been kept unchanged. Under a situation of constant stress by the government to mobilise own resource and under a condition of continuous rise of house-rent and value of real-estate, the decision of the government to lower house tax rate by 30% is incomprehensible. When it has become difficult for the Pourashavas to impose the present rates with an average effectiveness of even 20%, the lowering of rate will, in the public mind, create confusion about the need for local resources and for the Pourashava officials produce frustration. To some it is

a "seemingly irrational" behaviour on the part of the government.^{26/}

Under the above situation the relevant authority should give a re-thinking about the new tax rate for house portion of holding tax. In case of water rates also the same applies -- the rate should better have been kept at the earlier level with some additions of fixed amounts that have already been attached to strengthen the tax base. As long as property assessment performance remains at the present level, rates should not be lowered, should instead be enhanced.

One point worth mentioning about the rates in the four Pourashavas studies is that some sort of positive relationship is noticeable between the total tax rate on holdings in a Pourashava and the extent of under-assessment there. To prove or disprove a hypothesis of direct linkage of tax rates and rate of under-assessment require wider study. The point which the author tries to drive, however, from such an assumption is for looking into the possibility of a uniform rate of tax for similar types of Pourashavas if not for all the Pourashavas of the country. If such a situation really exists where the pourashavas with higher rates under-assesses more than those with lower rates, it proves that the effective rate is almost same for

all. Under such a situation uniform rates can be advocated to distribute same proportion of tax burdens at least on the people of same types of Pourashavas. The authority can fix several sets of rates for the holding tax, each set for a particular group of Pourashavas. The authority may, for the sake of equity and progression in taxation, fix the higher rates for the more developed areas and lower rates for the backward ones judged by valuation of property in terms of prevailing average rent levels.

Assessment

If the authority and Pourashavas are prepared for correcting the under-assessments, that is putting the valuation at the market rate, there is a case for lowering the present rates of holding tax. With rise in valuation income from holding tax will rise.

Assessment should be corrected so that no anomaly exists in the system. This should be done not at once, of course, but in phases, increasing the present taxes by some percentage every year until it reaches very near to levels at the corrected assessments. Problems will still be there with those properties having highest levels of under-assessments. These

should be dealt with specially, if required with the help of the administration. As has been found these are the most valuable properties in most cities, the owners should not at least be economically unable to pay a higher amount of tax. They should be persuaded at first and forced to pay through coercive measures at last like serving with distress warrants and recovering the money from the tenants if any.

A centralised unit for assessment (property valuation board) like India can be set up to implement the suggestions put forward. Training for local assessors should be initiated to strengthen periodical assessments to be undertaken by them. There is provision for periodical assessments in Taxation Rule 1931 and Sub-rules of 1932. But this has not been taken seriously by any Pourashava studied.

Coverage

About the coverage of holdings in assessments, nothing can confidently be said since house to house inspections in the Pourashayas were not possible. What became apparent in course of questionnaire surveys was that not any great number was left out of the net.

Whatever the coverage be in different Pourashavas, the suggestion here is for a tax map or complete cadaster so that no parcel be left out of assessment. Also this is required for understanding the structural composition of the houses at a time it is needed. Whenever the characteristics of a structure changes (say, from kutcha to semi-pucca), the colour for that parcel would be changed in the map so that tax income from the increased valuation of the new structure is not lost. If in this way gradual changes are made in tax volumes for a parcel with gradual changes in structures, there will not be a sharp increase in valuation for all the holdings during re-assessment which annoys the people most.

Record-keeping

The error prone and cumbersome record-keeping system may be simplified by replacing the one or two year registers with five year registers. Permanent numbers should be given to every holding so that comparison becomes easier. The registers should include all the relevant information and should be maintained in such a way so that at any time it is needed total volumes of tax demand and tax collection can be calculated easily. The registers should contain statistics

of total number of structures in different categories and people in particular tax bracket on a point of time. The information on valuation, tax deduction due to loan and owner-occupancy should be included also.

Account should be maintained at a more disaggregate level. Capital expenditures should be separated from recurrent expenditures which will distinguish regular operating payments on items consumed during the accounting period from those investments which yield a flow of benefits over a number of years. The major components of capital expenditures are, according to a recent report,^{27/} following:

- i. acquisition of land and buildings
- ii. construction and improvement of buildings and civil engineering works, including fees associated with those works,
- iii. acquisition, renewal or replacement of vehicles, vessels, major plants, furniture and equipment and similar items,
- iv. improvement works and significant reconstruction works, such as re-roofing, reconstruction of roads etc, and
- v. any other outlay which is of value to Pourashava in the provision of its services beyond the end of the year of account.

Collections

To improve the present tax collection performance several suggestions may be made. Firstly, arrangement should be made for tax collection through some selected bank branches. Gradually, the present system of collection through door to door visits by collecting sarkars should be replaced with collections only in the banks and in the Pourashava office. This is necessary for two reasons - one, this personalised system is corruptive and two, this is a time-worn system. If the people can pay rates for utilities like electricity, telephone, water, gas to the respective offices or in the banks, they will also pay this tax in the same manner. What is necessary for that is a feeling among the population about the necessity of Pourashava services and some coercive instruments too. Bill from the office may be sent to the taxpayers by post regularly for payment. They should be conducted also for their complains and suggestions to improve services.

Measures may be taken so that tax-collection proofs are required for certain purposes like in case of transfer of property, erection and re-erection of

buildings, during electricity, gas, telephone and water connections, issuance of nationality and character certificates, marriages, joining of services and the like. Arrangements should be made, of course with the permission of the government, with various utility service departments to snap utility services when a person will keep taxes in arrear. Tougher measures are recommended because they are not unusual in the utility service departments. There are provisions of snapping of services in those organisations which is not possible in case of Pourashava services. It should thus be done in close cooperation with others.

The present rate of penalty attached to overdue taxes are too low and at the same time not rigorous enough to force early payments. The penalty remains same for every type of defaulter -- new or old. The penalty rate may be equal to the rates for fixed deposits in a bank and should be increasing overtime at a compound rate. The present rate of rebates for early and timely payments should be continued.

Some initiative in tax collection be developed in every Pourashava by way of matching a portion of government grant on collection performances. The Pourasha-

va, to improve collection efficiency should initiate tax campaigns, public meetings and regular official meetings. Other measures may be adopted to improve collection efficiency. As for example, in Patuakhali, the Pourashava Chairman has devised a praiseworthy technique for improving collection efficiency. He insisted that salary of the staff should be given entirely from previous month's collection from holding tax. If the collection was poor, salary was delayed until collection covered the amount of the total salary. It worked and the collection performance has improved.

Collection targets on a quarterly basis should be made for improving collection performance. Warrants should be used vigorously to collect all arrear taxes. Serving of warrants to all the defaulters after a certain period should be a regular phenomenon to be strictly practised by all the Pourashavas.

The government and other autonomous bodies should be prompt in paying taxes regularly. The arrear taxes should be immediately paid. In Patuakhali, government sector accounted for about Taka 6 lakh of arrear tax demand, in Bogra about Taka 10 lakh and in Tangail Taka 7 lakh. In comilla, the government cleared recently almost all its arrear taxes.

Appeals

As has been found in all the pourashavas, taxes were reduced commonly on appeal. Allowing a reduction to almost all the appeals proves its weakness as a system. This system should be geared in line with the rules that dictate its functioning. As presently practised, reductions are made on cases of poverty may not be a reason for reducing taxes.

Reducing taxes only on genuine grounds will help in three ways -- it would reduce number of appeals, it would increase tax income of Pourashava and it would not stop payment by appellants on the plea that their cases were not heard. Large number of appeals cases create problem of disposal which often takes more than one year to complete. A short term recommendation about appeal is to replace the Pourashava chairman as head of appeals board with a retired civil servant or a pious person of the locality who should always decide cases collectively. the Chairman due to the sake of popularity is often found to reduce taxes, sometimes taking unilateral decisions. In the long run, the central valuation board should hear appeals so that irregularities are minimised.

6.2 Immovable Property Transfer Tax (IPTT)

Many researchers feel that IPTT rate can be enhanced several times.^{28/} The officials interviewed in the four Pourashavas also gave such opinions. According to them, raising of this rate will have little or no effect on the volume of transactions but the revenue for Pourashavas from IPTT would double or triple by that. Before giving any conclusive remark about it is necessary to look into the total levy attached to a transfer instead of a part of that which is indeed a small portion of the total revenue (of the government and local bodies) from IPTT.

IPTT constitutes a small share in property transfer -- it constitutes a fixed one per cent tax on the value while together with other levies the total tax rate associated with it varies from at least 8 per cent and may rise to over 20 per cent for large valued properties. So increasing the rate of IPTT by any little percentage will be added with the total tax and increase it further. This may produce a negative effect on property transfer which may hinder urban development by way of remaining properties with the inefficient owner than getting transferred to an efficient hand. Generally the urban land has been found to be transferred to more efficient uses which may

not be true in most cases in case of transfers in the rural areas in Bangladesh.

Due to the above problem of rate increase, the rate of IPTT should be raised slowly observing its effects. Immediately, a one per cent increase may be recommended. If volume of transaction remains same, this will result in a doubling of IPTT revenue for the Pourashavas. Keeping three years for observing the effects of rate rise, another one per cent may be increased at the beginning of the fourth year. The expectation is that one per cent increase now and another one per cent after three years will not hamper transactions.^{29/}

Another way of improving revenue from IPTT is to improve tax administration. Presently the District Registrars do not go for detecting under-reporting of transaction value. They accept if the values is more or less satisfactory to them. Some reform in this area by the Ministry of Law and Land Reform may improve valuation and tax revenue. If orders come from above to verify the actual market value of the property under transaction, the officials will carry that out. This will certainly improve collection performance. In Bogra, Comilla and Tangail the Pourashava officials stated an under-valuation within 30%

and 50% of the value. In Patuakhali they however said that there was no under-valuation on average. If the valuation could be fully corrected, the three Pourashavas would receive about 40% more revenue from this head.

To eliminate undervaluation, a schedule of approximate property value should be prepared every six monthly or more frequently if so needed by the Registrar's office in conjunction with District Statistical Office, broken down by major property characteristics. The value of per decimal or per bigha of land in different areas will then be known and there will be no scope for under-valuation -- one has to transact at least at that price.

After the transfer of a piece of property the buyer comes to the Pourashava office to change the name of the former owner and put his name against that holding. Pourashavas collect certain amount as name transfer charge for this work. Bogra collects Tk 50 per change, Tangail collects Tk 10 per change and Patuakhali collects 0.5% of the value of transferred property. Patuakhali collected a good amount, more than Tk 28 thousand or slightly more than 2% of internal revenue or half that of IPTT revenue in 1984-85.

Other Pourashavas may also try to collect this fee at a higher rate.

6.3 Tax on professions, Trade and Callings

The rates for this tax has recently been revised upward. Although from the point of view of abrupt increase it is a large rise of nearly 5 times on average, still in constant Taka the rate is still lower and about half the value it had when the rates were fixed in 1961. Another point to mention is that, when the lower limit has been increased by 5 times, the upper limit has been increased by 4 times.

There is no clear basis for imposing taxes on business. The suggestion is to base the tax on four factors -- on the area of business, on the location of the business, average volumes of sales per day and rent per month. A hypothetical formula for fixing this tax may be as follows.

Take, for example, a shop in the best location. The area of the shop is 100 square feet, its per month rent is Tk 300 and average daily sales volume is Tk 1,000. Let us now find its annual tax in the following manner.

Attributes	Shop X	Tax Rates	Tax Volume (Taka)
Location	Best	100% of the area	100
Area (sq. ft)	100	200% of the area	200
Rent per month(Tk)	300	50% of the rent	150
Average sales per day (Tk)	1,000	25% of daily sales	250
TOTAL TAX			700

There may be say 5 types of locations - best, very good, good, average and below average. The business in each location would be categorised under one of these types and the tax will be a percentage of floor area of the business, varying between 100% and 50%. Fixing of rates in this manner have two advantages - it considers all the relevant attributes of a business and is elastic in nature -- it will, unlike the present system, change the tax from year to year depending on the rent and sales volumes.

In case of very large business or factories covering thousands of square feet, or in case of business where per day sales volume is irrelevant or where the profit is unusually higher in comparison to floor area, similar other formulas may be derived at for fixing taxes.

Rebate and penalty systems may also be introduced in case of business taxes -- it will help quicken the payments. The rates of rebate and penalty may be similar to that of holding tax. Arrangement may also be made so that payers of business taxes can pay tax in 2 or 3 instalments.

At present the Pourashavas are not collecting any tax from professionals like advocates, doctors and engineers. These should be collected at different rates depending on their possible earnings. A tax may be introduced for other people employed in various offices and business called "payroll tax". There will be some scope for taxing the non-permanent inhabitants of the area through this tax. Since the non-permanent members do obtain advantages in this city, they should be paying something too. It has been estimated from total salaries of government employees by Asaduzzaman [Asaduzzaman: 1985: 199-201] that it was possible in the 1985/86 fiscal year to collect Tk 8.4 million from payroll tax at an average rate of 5%. The tax revenue would rise to Tk 10.3 million in 1989/90 as estimated by him.

6.4 Other Taxes

Vehicles

Tax rates for vehicles have been increased recently about three times and that of boats more than ten times. While the rate increase is proportional to price increases in case of boats, it is much less in case of vehicles. Unfortunately, taxing of boats is very uncommon -- none of the four Pourashavas imposed any tax on boats. In Patuakhali, there was some good scope of taxation of boats but it has never been utilised.

About the taxation of vehicles, it was found that most of the vehicles gave taxes at the lower sides of the limit (see Table 27). Although the tax rates have been increased their lies scope for its continuation as the lower limit has been fixed at Taka 5 only. This should have been fixed at higher levels, perhaps at Tk 15. It would have been better if the authority fixed the rates according to types of vehicles instead of putting such a wide range to accomodate all types of vehicles within that. Also there should be system of revision of these rates every three years. The proposed rates for the next three years may be, bicycle Tk 15, Rickshaw puller Tk 25, rickshaw owner Tk. 75 for old and Tk 100 for new ones, bullock cart Tk 50,

push cart Tk 30 and van Tk. 100. There may be several rates, each one for similar types of Pourashavas. The proposed rates are for secondary Pourashavas.^{30/}

Bicycles were found not to pay taxes regularly in 3 Pourashavas out of 4. Only in Bogra was there a significant number of cycles taxed. In Tangail, only two and in Patuakhali only three cycles paid tax in 1984-85. Measures may be taken for these types of defaults also almost similarly as suggested in case of holding tax. The help of traffic department may be sought to find out defaulters. Some arrangement may be made like other vehicles of putting numbers to bicycles along with registration years to help easy detection of defaulters possible.

Boat registration should be undertaken immediately.

Advertisement

Advertisement tax have been found to be collected only in Patuakhali Pourashava. Others should also collect it. The flat rates proposed in 1985 is confusing. The rates should better have been fixed on the size and value of the sign-board or bill-board. Tk 5 may be collected per square foot plus 5% on the value of the advertisement. Advertisement rates for

newspaper advertisements and cinema or posters may be similarly fixed by respective Pourashavas.

Entertainment

Rates for entertainment as long as the upper limit is considered seems satisfactory. But lower limit should have been fixed, perhaps at 10% because some Pourashavas have been found to collect at very low rates, like Comilla collecting at 2% and Tangail at 5% of the value of entry tickets.

Births, Marriage and Feasts

None of the four Pourashavas collected any tax on births, marriages and feasts. The present rates fixed in 1985 seems very high as long as the upper limits are concerned. There should be a fixed rate for births. There should be flat rates for marriages (say, Tk 100), birth-day functions (Tk 50) and other occasions (Tk 25). The tax should be collected at the office when applying for holding of such occasions. A permission from the Chairman of the Pourashava should be made compulsory to hold any occasion that effects the space outside the permanent structures of a residence or that requires space in a hotel, club, auditorium, bungalow, park or on open space within the Pourashava boundary.

Fees

Fees are collected for slaughtering of animals, during water connections in a holding, from markets and ferry-ghats, from fairs, shows and exhibitions and on licences, sanctions and permits.

The revised rates on slaughter of animals has been fixed at an appropriate level -- not too high not too low. Higher rates will tend to increase the price of meat. The Pourashava can now increase their revenue several times from this source. In Comilla, where slaughterhouse is auctioned out, will have to be auctioned freshly. The Pourashavas should correctly calculate whether net revenue is more in case of auction or in case of direct collection and act accordingly, to maximise income.

Water connection fee has been mentioned with the water rate in the revised schedule. The rates seem good but should have been disaggregated according to the sizes of pipes. There is very good prospect of revenue collection from this fee. Tangail collected 30 per cent of total revenue from water connection and use fees in 1984-85. Presently, Bogra and Comilla are not collecting from this source. Patuakhali collected small revenue because of their low rates and limited

coverage of water supply. Effort should be given to supply more water for the inhabitants and collect good sums as water connection and use fees.

Ferryghats and markets are leased out in the Pourashavas surveyed. Leasing is good so long it earns sufficiently -- at least equal to the income that could be earned through direct participations deducting for all costs associated with it. For leasing, wider circulations should be made to make the bid competitive and less prone to collusions. One important thing about the markets is that the number of leasable markets in all the Pourashavas is less than the number of markets actually in operation in the jurisdictions. As for example, although there are in total 9 markets in Bogra town, the Pourashava has the jurisdictions of leasing only 5. When asked about the reason for that, the Pourashava officials informed that the government did not recognise the rest. The suggestions here is that the relevant departments should be prompt in its actions about things like this where revenue is involved.

Fairs, shows and exhibitions are not an everyday event. It generally takes place once or twice a year. But good prospects lies in reasource mobilisation from there. Revenue can be collected from such events

through the entry tickets by collecting a proportion of it as taxes. But since it is convenient to collect a portion from the value of auction of the place of the fair or exhibition, it is recommended here. Bogra used to collect good amounts from it previously. Last year it failed to collect a potential amount of about Tk. one lakh from annual exhibition for certain unknown reason. All the Pourashavas should take initiative to collect revenue from this source.

6.5 Own Property Income

All the Pourashavas have some lands of their own. Some have developed them which earns them rents. Bogra has constructed as many as 416 shops. Comilla has also got good number of shops. But other two Pourashavas have none. They can, if construct shops, in the short run, receive good amount of rent after recovering the cost of construction through collection of key-money (salami). Ponds are not profitable avenues. These lands should be given to more profit earning purposes. In the long run, housing projects may be undertaken by the Pourashavas. In Comilla, there is scope for improving revenue from its bus terminal by fixing rates per trip of buses instead

of the present rate per bus per day. Tangail can collect fee from bus terminal if the terminal is returned by the government after improvement. Patuakhali can also generate resource from bus stand if the under-construction bus terminal is handed over to it.

6.6 Additional Sources of Revenues

Octroi, which earned the Pourashavas a sizable portion of their total revenue, have been abolished. Thought should be given on the possibility of imposition of some similar types of taxes, if not on all goods, at least on some highly profitable goods like tobacco, cigaretts, bidi, hides and skins, textiles, petroleum and machineries. These can be collected from the largest whole-sellers of the Pourashavas on the total value of goods under transaction. Different percentages may be set for different goods for taxation. The percentage may vary between 2 and 5 of the gross value of the products. Such small rates should not have effects on their demands. As, for example, government taxes cigarettes on an effective rate of nearly 70%. An additional 5% should not be of any problem in their marketing.

The government earned a total of Tk. 239.39 crore from tax on tobacco products in 1982-83 which was 54% of total excise tax revenue for that year. It has been estimated from these figures that putting a 5% tax on the gross value of tobacco and assuming a 15% urban population in the country, the urban governments could have earned Tk. 2.8 crore in that year from tobacco products. This amount is over 3% of total income of all the urban governments in the country in 1982-83. If taxes on other products are also calculated similarly, the percentage contribution of this tax revenue may be around 6 per cent.

6.7 Possibility of Reduction of Expenses

Establishment expenses constitute more than one-third of total expenditures in all the Pourashavas studied. Reduction of expenses is similar to mobilise resources. From interviews with the officials it was found that there was almost no scope for cost reduction for the establishment. One reason of that was that salaries and compensations of employees constituted the largest portion of these expenses.

Reducing the number of employees may thus be one important way to reduce expenses. But except in Bogra, in no Pourashavas the officials expressed they could

continue with less staff. In Patuakhali and Tangail they were in favour of increasing the numbers by several others. In both of these Pourashavas there were some posts lying vacant for quite sometime.

The ways cost could be reduced, as expressed by the officials, were cutting expenses for entertainments, reception of important persons, telephones and in Bogra the cost of petrol, maintenance and salary of a driver for the Pourashava jeep used exclusively by the Chairman.

In fact, as was found, expenditures on entertainments or reception was not anything large that could be reduced. In Bogra, there was a scope for reduction of about one hundred sweepers. The jeep used by the Chairman in Bogra should not be discontinued since it is a symbol of importance of the Chairman of an urban local body. Such vehicles should be arranged for Chairmen of other Pourashavas also.

From the discussion it seems that there is very little scope for reduction of expenses. But efforts may be made to reduce cost of employees in some places as for example, by replacing collecting sarkers by making arrangements for tax-payments in banks. Also

by introducing five year registers in place of one year registers, clerical jobs could be reduced to a great extent.

6.8 Borrowing

Borrowing was uncommon in all the Pourashavas except Bogra. Bogra borrowed Tk. 10,000 in 1975-76 and Tk. 75,000 in 1976-77 from Rajshahi Divisional Development Board (RDDB) at a nominal interest rate between 3 and 5 per cent. Bogra borrowed again Tk. 2,50,000 in 1978-79 from Rupali Bank at market rate of interest. Out of the previous loans, Bogra repaid Tk. 20,000 to RDDB and for the bank loan repaid Tk. 1,46,000.

The Pourashavas may borrow if they feel that the return from the investment will be sufficiently high. Since bank rate is quite high and Pourashavas have no other source to borrow from they should think twice before borrowing. Pourashavas may borrow if they feel they can use the money in profitable ventures like construction of shopping complexes. Government may arrange some soft loans for the Pourashavas.

6.9 Government Grants

Grants can be basically divided into two types according to objective pursued:

- i. general (the term used in U.K.) or block (used in Italy and U.S.A.) or equalisation grant, and
- ii. Specific grant. Specific grant can further be divided into
 - a. matching, and
 - b. non-matching grants

When grant is disbursed to a locality attaching neither any conditions of its mode of expenditure nor any for receiving them, the grant will be called general or block or general non-matching grant. When the grant is distributed for any fixed purpose, it becomes a specific grant. If the recipient is not required, in addition, to match the grant with own resources to qualify for receiving the money, it is then a specific non-matching grant. But if it requires to match the grant with own funds, it is specific matching grant.

In Bangladesh, the only general grant is the octroi compensation grant. There is no specific matching grant but there are three types of specific non-matching grant. These are normal grant, Works Programme grant and specific project grant.

Since there is no matching grant in urban areas of Bangladesh, the local bodies are not obliged to generate own resources to qualify for any specific quantum

of grants. But matching of grants have salubrious effect on resource mobilisation have been proved in many countries of the world. In Britain, local bodies receive a fixed proportion of their expenditures as grants. The proportion is fixed every year and it varied like 54% in 1967-68, 66.5% in 1975-76 and 61% in 1977-78. In Philippines, local governments receive fixed percentages of second previous year's total revenue collection as grant. In Ghana, local authorities are paid a special grant equivalent to 33% of the cost of education.

Matching a portion or whole of the grant has stimulating effect on resource mobilisation. When it is matched in a pre-determined percentage of revenue or expenditure or cost of a particular project, it becomes convenient for the local administration to prepare budget rather than if it is arbitrarily fixed by the central authority. A good grant system should be at the same time simple and equitable. By "simple" is meant that the local administration and the government officials should know how grants are distributed, in which particular times it is made available and for which is it meant for. In Bangladesh, although the Pourashavas and other local bodies know the purposes of the grant, they are not sure about its distribution criteria and disbursements. Here grants are

received in phases having no fixed times for receipts. This causes wastes -- if the money arrives at the rainy season, or at the time when labour is unavailable or at the end of the fiscal year, it is almost similar to non-receiving it.

So, in Bangladesh, grant system should be made certain and simple. It should be,

1. Objective,
2. should be stimulative to local resource generation, and
3. should reflect the demand of particular locality.

So far, although equalisation was an aim in grants distribution, it was not calculated according to any formula. It has been found, for example, that both Bogra and Tangail received equal portion of their total incomes as grants and Tangail received less grant per capita or per acre of land area although it was poorer in resource potentials, infrastructure and private development. To achieve the above three purposes, the major portion of the grants may be distributed according to some formula considering at least the three following factors.

- a. Population
- b. Land area
- c. Internal resource potentials.

Population and land area will roughly show the "need" for grants in the area while internal resource generation will help to "equalise" the grant between jurisdictions. The most important body of research on the design of grant allocation formulas propose that funds should be allocated directly in relation to fiscal need and inversely in relation to fiscal capacity. This, for example, will although increase the share of grants for more populous and large jurisdictions, will decrease the share if found to possess enough internal resources. This will help in achieving equity in grant system. For efficiency, grants should be specific, if not totally, at least to the major portion. After distributing a portion of grant on the equity formula, the rest may be conditional or specific matching. Matching grants may more be concentrated in areas with poor collection performances. This will stimulate internal resource mobilisation in those areas.

The exact apportionment of total grants into two parts, one according to equity formula and the other according

to efficiency formula will depend on political decisions on the need to equalise and that to perform.^{31/} The ratio may remain stable for short periods but should vary with changing circumstances.

The portion of total annual government fund for Pouroshavas to be distributed according to equity formula may be similar to the following arrangement.

The total amount may first be divided among the three factors, population, area and own resources either equally or according to different weights upon them. After this, each portion should be divided among the local units - directly proportionately for the first two that is population and area, and inversely proportionately for the third one, that is internal resources.

Similar formula may be drawn out for distribution of grant under efficiency criteria. Performances in four areas may be considered in its distribution on the information in the preceeding year (practised for the municipal bodies in the Calcutta metropolitan area) or in case of inability to collect information on that year, the information on second preceeding year (practised in the Philippines). These four performances are,

- i. tax collection performance - percentage of collection to demand,
- ii. property valuation performance,
- iii. performance in the maintenance of infrastructure, and
- iv. quality of development work completed.

Equal or unequal weightage may be given on each of the above depending on the importance of each one to the policy-makers.

The last point to discuss is about the types of grants provided to Pourashavas. There are presently too many types of grants - as many as ten in Bogra. However, all the Pourashavas do not get all types of grants. For simplicity and convenience of comparison, grants may be divided into three types:

- i. normal
- ii. development and
- iii. octroi compensation.

6.10 Conclusion

From the discussions and statistics presented in this chapter, it becomes clear that there lies enough scope of resource mobilisation from urban areas of Bangladesh. What is required to mobilise this potential resources is collective efforts of both the national and urban governments. The tax-payers are willing to pay if they receive their services regularly and at improved levels. If a portion of them lack the sense of paying taxes regularly, it is their irresponsibility towards collective welfare -- but a little orientation and advice by the Pourashava officials about the need of social services and better hygiene may make most of them understand the need for resources with the Pourashava and thus pay regularly.

The suggestions for improving resource position of the Pourashavas may be broadly grouped into two - short term and long term. The long-term measures follow the short-term ones below.

6.10.1 Short term measures

a. Training

One of the short-run measures to strengthen local revenue improvement programme is training. Training

is required at all levels in the Pourashavas. Only in two Pourashavas and only one official from each of them had any sort of formal training in their service lines. All the secretaries in the four study Pourashavas have been working there for long periods -- as long as thirty years in Tangail and Comilla. Only recently in 1983, the secretaries of Bogra and Comilla Pourashavas received one training in the Local Government Institute of Dhaka. For efficient services training programmes should be arranged by the government or any other central authority for Pourashava officials on tax collection, valuation, accounting, budgeting, project preparation and implementation and office management.

b. Undeveloped land

There is enough undeveloped land and agricultural tracts within the Pourashava boundary. Taxes are not generally levied on these lands. But tax should be charged on this land on the argument that road had to be constructed adjacent to those plots, cables and pipes laid down and lightposts erected which have costs to the Pourashava.

Although the present author did not attempt to estimate the percentage of agricultural land within the Poura-

shavas, one study showed that around a quarter of land within the Pourashava boundary in five Pourashavas, Comilla, Faridpur, Rajshahi, Bogra and Chandpur constituted of agricultural land, which shows unurban character within the urban area.^{32/} The Pourashavas get almost no tax from these plots as these are not developed lands.

c. Administration

There is good prospect of mobilising additional resources at the Pourashavas. So far, due to slack administration in the Pourashavas these resources could not be collected. Time has come to generate as much resources as possible to keep up the urban health. No Pourashava possesses a modern drainage system and sewer lines which are costly to develop. Comilla, it has been estimated, requires about Tk 45 crore to develop its drainage system, which is equal to its 70 years total revenue at the present rate of resource mobilisation.

d. Grants

Grants may continue to be a major source of income for Pourashavas. It can be distributed with a good portion of the matching type. Amount of grants for a Pourashava should be fixed ahead of budgeting so that realistic budgets can be prepared.

6.10.2 Long term measures

a. Planning cities and controlling development

City governments in the country should prepare itself to plan the respective cities to let them continue their roles as growth centres. It should be remembered that with the growth of population, agriculture cannot absorb the extra labour force. The urban areas must prepare itself to welcome them. Capacities should be created there though creation of employment opportunities. Pourashavas may participate in this effort by undertaking directly productive investments along with infrastructure development.

Resource mobilisation, very importantly, is related with the development of the Pourashava area. More houses, shops and industries mean more taxes and small number of these mean smaller revenue. An unhindered and unplanned development of a city may reduce the potentiality of revenue earnings. Haphazard development reduces land value. It becomes difficult under this condition to supply infrastructure and public utilities which reduces the possibility of optimum investment there. Lower level of development naturally lower assessment value.

The basic factor underlying such a situation obtaining in the Pourashavas is the absence of any sort of control over the development of its area by the Pourashava authority. Planning of its areas is an optional function for the Pourashavas and none has yet formulated any plan to guide development in any particular direction. This has resulted small pockets of developed areas within the Pourashavas whereas there remains enough unused and agricultural lands within its boundary. Also, certain developments within or around the Pourashava boundary has caused some unnecessary constraints over Pourashava revenue. As for example, the creation of industrial estates just outside the Pourashava boundary by government and other organisations have deprived the city governments with potential taxes. These authorities do not even consult the Pourashava authorities in the development of industrial estates which may have direct or indirect effects on the Pourashava. By developing these industries outside the Pourashava boundary, it falls on the part of the authorities to develop infrastructures and services on a barren piece of land. These industries in most cases could have been accommodated within the Pourashava boundary which would reduce the cost of fresh infrastructure building and enable the Pourashava to earn tax income. Absence of cooperation and lack of control over the development by the Pourashavas

result in such wastage. The District Land Allocation Committee whenever selects a site for distribution to potential investor does not feel obliged to seek permission to do so from the Pourashava authority. These types of decisions have effects on Pourashava development and thus on tax revenue. To avoid these problems, Pourashavas, as the sole local urban body should be given all powers at planning, control and guiding of development so that rationality of development is maintained, wastage is reduced and productive use of land can be ensured.

b. Supportive institutions

Several supportive institutions are required for improving financial position of the Pourashavas. The institutions suggested are, a permanent property valuation board, a grants commission, an urban local government directorate under the Ministry of LGRD to undertake training programmes, to improve management, for suggesting loan sanctions, to recommend on project selection, to look into the qualities of work done etc.

c. Betterment levy

Betterment levy may reasonably be collected from the urban property holders who have been greatly benefited from the escalation of property value due to the

development works on the one hand and the very unusual inflationary rise of value of urban land in recent years on the other hand. The providers of the urban service facilities may then have a claim of resource over the property owners who have been indirectly benefitted from these. The local and central governments in many countries of the world including the U.S.A., U.K., West Germany and South Korea use this method to mobilise resources from those receiving windfall gains from rise of land value from inflation of public development works. The relevant authority here may consider the possibility of imposition of betterment levy by the Pourashavas to strengthen their financial position.

d. Social engineering

One important factor should be touched upon here. This is about the need of social engineering. Our education system does not include many things that acts as eye-openers to our economic and social conditions when they grow up as adults. Major problems like high rate of population growth, first eroding fertility of our soil, low rate of savings, malnutrition, ecological imbalance, misallocation of resources, import of almost all luxury items under most acute foreign exchange constraints, political instability, absence of any models or standards for social and economic development, above all lack of stable objectives and goals in collective development are known

clearly by very very small number of educated people. This is due to the fault of the education system. If the education system was objective -- this would not have been the case.

Since urbanisation is a recent phenomenon in Bangladesh, the mode of urban living with numerous new factors involved is a one-generation experience for almost all the urban dwellers of the country. The importance of service facilities like streets and roads, drainage, water supplies, garbage disposal, street-lighting, parks and playgrounds, gardens, clubs, educational institutions, health centres, good market places, street-side walkways, cinema, theatres, restaurants etc. are not clear to them. They are unsure about the impact of these on healthy living and specially uncertain about the responsibility of cost-sharing in the supply of those services. The reason for this is on the one hand lack of experience and on the other, absence of any formal orientation towards this direction.

From the impressions given above, it is suggested that education system includes very importantly all the major problems of the country and teaches on certain norms of social living from the very beginning years of their education however small way it can.

It would make them responsible and aware of the country's problems and thoughtful about their solutions.

The above suggestion is about a factor that would require long time to materialise. Social engineering is not anything that can change anything overnight. So short-term suggestion should be given more importance for immediate improvements. Larger volumes of resources are needed by city governments in Bangladesh than they presently possess. This is for supplying utility services at better levels, maintaining infrastructures properly and developing roads, culverts, parks, swerage etc. In the long run, these governments may be given more powers for maintaining police functions, establishing industries, training of people etc.

For making the Pourashavas an effective local government institution in its truest sense, its functions, powers, resources should be much more increased. In line with the government's programme of strengthening local governments, it is not an unrealistic expectation to see Pourashavas in future as an institution having the responsibilities of overall development of a town. At that stage Pourashavas will have the principal authority in an urban area in controlling development, coordinating between various authorities,

solving disputes within its jurisdictions and activities covering refuse collection to building of skyscrapers.

All these require a programme to strengthen its resources and enhancement of its prestige from the present level of a mere scavenger to a strong public representative body. People will not hesitate then to pay taxes to such a body and will not in the same manner, dare to erect a building without its permission.

All the avenues of potential revenue should be explored. Revenue collection should be started for those items like marriage and feasts, advertisements, animals and exhibitions. Own property should be developed to earn maximum from these. It is possible to collect several times more revenue from property value based taxes alone if properties are properly assessed and collection performance is improved. Same is true for business taxes, vehicle taxes and taxes on animals if new rates are applied. Total own revenue can be doubled within a very short-run -- within a year or so.

Finally, it can be said that without vigorous drives resource mobilisation rates in the Pourashavas cannot be improved to any satisfactory level -- but with it, that is possible at a much high level.

APPENDIX - A

INTERNAL SOURCES OF REVENUE

T A X	SCHEDULED RATES	
	Previous	Present
1. Tax on the yearly value of buildings and lands	Maximum 10% of value	Maximum 7% of value
2. Tax on the transfer of immovable property	1% of value	No rate mentioned
3. Tax on applications for the erection and re-erection of buildings	Tk. 6-50	Tk. 20-325
4. Tax on professions, trades and callings	Tk. 6-50	Tk. 30-2,000
5. Tax on cinemas, dramatic and theatrical shows and other entertainments and amusements	Maximum 10% of fee on admission	Maximum 15% of fee on admission
6. Tax on vehicles, other than motor vehicles and boats	Vehicles: Tk. 3-20; boats: Tk. 2-20	Vehicles: Tk. 5-75; boats: Tk. 20-500
7. Tax on animals	Tk. 1-25	Tk. 10-125
8. Taxes on the nature of tolls on roads, bridges and ferries, bus stand, truck stand and sand deposits	According to discretion	According to discretion
9. Tax on advertisements	Maximum 5% of the value	Tk. 12-22
10. Tax on births, marriages, adoptions and feasts	Tk. 2-500 for marriage; Tk. 0.15 for feast	Tk. 5-500
11. Any other tax which the government is empowered to levy by law	Not mentioned	Not mentioned

R a t e

1. Lighting	Maximum 3% of annual value of property	Maximum 3% of annual value of property
2. Conservancy	Maximum 7% of annual value of property	Maximum 7% of annual value of property
3. Rate for the provision of water works or the supply of water	Maximum 7% of annual value of property	3% of property value plus Tk. 20-50 depending on specification of pipe, and connection fee at Tk. 250-500

<u>R a t e</u>	SCHEDULED RATES	
	Previous	Present
4. Rate for the execution of any work of public utility	Not mentioned	Not mentioned
<u>F e e</u>		
1. Fees for markets	Not mentioned	Not mentioned
2. Fees for licenses, sanctions, and permits granted by the Pourashava	Not mentioned	Not mentioned
3. Fees for the slaughtering of animals	Goat: Tk. 0.25 Cow, Bullock: Tk. 1, Buffalo: Tk. 2	Goat, Sheep: Tk. 5, Bullock: Tk. 10, Bufallow: Tk. 15
4. Fees at fairs, agricultural shows, industrial exhibitions, tournaments and other public gatherings	Not mentioned	Not mentioned
5. School fees	Not mentioned	Not mentioned
6. Fees for the use of profits derived from any work of public utility maintained by a Pourashava	Not mentioned	Not mentioned
7. Fees for specific services rendered by a Pourashava	Not mentioned	Not mentioned
8. Other fees permitted under the Pourashava Ordinance, 1977		
<u>C e s s</u>		
1. Cess on any of the taxes levied by the Government	Not mentioned	Not mentioned
<u>Other Revenues</u>		
1. Rents and profits from Pourashava own properties like shops, boarding houses, community centres, office buildings, ponds and lands		

(CONTD.....)

Other Revenues (Contd.)

2. Loans
3. Interest from investment and bank deposits
4. Deposits and advances
5. Opening balance or cash at hand left at the closing of the previous year's account

Government Grants

1. Urban Normal grants which include Special Salary (Subvention) grant and compensatory grants for special purposes
2. octroi compensation grants
3. Urban Works programme grants
4. Special project grants

APPENDIX B - TABLE OF FINDINGS

TABLE B1:
PER CENT OF HOUSEHOLDS SURVEYED

Pourashava	Total households	No. of households surveyed	% of households surveyed
Bogra	12806	70	.55
Comilla	9500	70	.74
Patuakhali	4700	70	1.49
Tangail	12869	70	.54

TABLE B-II
PER CENT OF TRADESMAN/MANUFACTURERS SURVEYED

Pourashava	Total no. of persons having Trade Licenses	No. of Tradesmen/Manufacturers surveyed	% of Tradesmen/manufacturers surveyed
Bogra	5225	50	.96
Comilla	3260	50	1.53
Patuakhali	995	50	5.02
Tangail	1727	50	2.89

TABLE B-III

DISTRIBUTION OF FAMILY HEADS BY AGE

Age (Years)	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
20 - 29	4	5.7	6	8.6	4	5.7	7	10.0
30 - 39	19	27.1	18	25.7	16	22.8	16	22.8
40 - 49	31	44.3	20	28.6	24	34.3	32	45.7
50 - 59	8	11.4	14	20.0	13	18.6	11	15.7
60 - 69	7	10.0	10	14.3	13	18.6	4	5.7
70 +	1	1.4	2	2.8	-	-	-	-
TOTAL	70	100.0	70	100.0	70	100.0	70	100.0

TABLE B-IV

DISTRIBUTION OF OTHER MEMBERS OF FAMILY BY AGE

A g e	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0 - 9	67	15.6	83	20.5	48	11.3	96	25.0
10 - 19	129	30.0	116	28.7	161	37.8	109	28.4
20 - 29	102	23.8	100	24.7	108	25.3	87	22.7
30 - 39	68	15.8	44	10.9	64	15.0	39	10.2
40 - 49	23	5.4	25	6.2	15	3.5	17	4.4
50 - 59	24	5.6	17	4.2	23	5.4	19	4.9
60 - 69	12	2.8	9	2.2	5	1.2	14	3.6
70 +	4	1.0	10	2.5	2	0.5	2	0.5
TOTAL	429	100.0	404	100.0	426	100.0	383	100.0

TABLE B-V
DISTRIBUTION OF FAMILY HEADS BY OCCUPATION

Occupation	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Business	46	65.7	25	35.7	42	60.0	39	55.7
Service	15	21.4	31	44.3	19	27.1	19	27.1
Retired	1	1.4	-	-	2	2.8	-	-
Teacher	2	2.8	-	-	2	2.8	6	8.6
Advocate	4	5.7	2	2.9	1	1.4	5	7.1
Housewife	2	2.8	4	5.7	3	4.3	1	1.4
Farmer	-	-	-	-	1	1.4	-	-
TOTAL	70	100.0	70	100.0	70	100.0	70	100.0

TABLE B-VI
DISTRIBUTION OF FAMILY HEADS BY MONTHLY INCOME

Monthly Income	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0 - 500	0	-	1	1.4	3	4.3	2	2.8
501 - 1000	15	7.1	8	11.4	13	18.6	4	5.7
1001 - 1500	15	21.4	13	18.6	16	22.8	11	15.7
1501 - 2000	19	27.1	16	22.8	13	18.6	23	32.8
2001 - 2500	11	15.7	7	10.0	6	8.6	13	18.6
2501 - 3000	4	5.7	9	12.8	6	8.6	12	17.1
3001 - 3500	7	10.0	3	4.3	5	7.1	2	2.8
3501 - 4000	4	5.7	3	4.3	2	2.8	2	2.8
4000 +	5	7.1	10	14.3	6	8.6	1	1.4
TOTAL	70	100.0	70	100.0	70	100.0	70	100.0

TABLE B-VII

DISTRIBUTION OF HOUSEHOLDS BY URBAN RESIDENTIAL LAND HOLDINGS
(only the land area on which the respective holdings are situated)

Land Holdings (in Khata)	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0.0 - 2.0	9	12.8	5	7.1	36	51.4	5	7.1
2.1 - 4.0	22	31.4	16	22.8	21	30.0	19	27.1
4.1 - 6.0	27	38.6	16	22.8	13	18.6	24	34.3
6.1 - 8.0	7	10.0	12	17.1	-	-	11	15.7
8.1 - 10.0	2	2.8	9	12.9	-	-	7	10.0
10.1 +	3	4.3	12	17.1	-	-	4	5.7
TOTAL	70	100.0	70	100.0	70	100.0	70	100.0

TABLE B-VIII

DISTRIBUTION OF HOUSEHOLDS BY AREA OF THE RESIDENCE
(Sq. ft. of floor space)

Residence in Sq. ft.	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0 - 300	1	1.4	6	8.6	11	15.7	-	-
301 - 600	10	14.3	15	21.4	10	14.3	9	12.8
601 - 900	8	11.4	12	17.1	23	32.8	12	17.1
901 - 1200	7	10.0	20	28.6	15	21.4	16	22.8
1201 - 1500	19	27.1	2	2.8	6	8.6	18	25.7
1501 - 1800	11	15.7	2	2.8	-	-	9	12.8
1801 - 2100	7	10.0	3	4.3	3	4.3	5	7.1
2101 - 2400	3	4.3	3	4.3	1	1.4	1	1.4
2401 +	4	5.7	7	10.0	1	1.4	-	-
TOTAL	70	100.0	70	100.0	70	100.0	70	100.0

TABLE B-IX
SERVICES PROVIDED TO HOUSEHOLDS

Pourashava	Electricity	Water	Conservancy
Bogra	68	46	56
Comilla	68	40	27
Patuakhali	64	51	12
Tangail	66	38	14

TABLE B-X
TYPE OF RESIDENCE

Pourashava	Pucca	Semi-Pucca	Katcha	Mixed
Bogra	48	8	4	10
Comilla	34	16	11	9
Patuakhali	14	29	17	10
Tangail	16	35	6	35

TABLE B-XI
 OPINION ABOUT THE UTILITY SERVICES PROVIDED
 BY P. IN THE LAST FIVE YEAR

Pourashava	Item	Little improved	Greatly improved	In the same state	Deteriorated
Bogra	Street light	13	-	49	8
	Water	41	5	20	4
	Conservancy	3	-	38	23
	Road/Street	52	9	5	4
Comilla	Street Light	49	7	13	1
	Water	30	15	22	3
	Conservancy	6	2	28	17
	Road/Street	25	3	29	13
Patuakhali	Street Light	62	1	5	2
	Water	54	7	9	-
	Conservancy	22	5	2	-
	Road/Street	52	18	-	-
Tangail	Street Light	27	1	35	7
	Water	12	5	30	15
	Conservancy	5	-	22	34
	Road/Street	12	3	21	34

TABLE B-XII

DISTRIBUTION OF BUSINESS CONCERNS BY AREA OF THE FLOOR

Area (sq. ft.)	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0 - 100	18	36	12	24	26	52	17	34
101 - 200	15	30	19	38	13	26	22	44
201 - 300	13	26	10	20	3	6	10	20
301 - 400	2	4	4	8	2	4	1	2
401 - 500	1	2	1	2	1	2	-	-
500 +	1	2	4	8	5	10	-	-
TOTAL	50	100	50	100	50	100	50	100

TABLE B-XIII

DISTRIBUTION OF BUSINESS CONCERNS BY PER SQ. FT. RENT PER MONTH

Rent per month in Tk.	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0.0 - 1.0	5	16.7	8	40.0	-	-	-	-
1.1 - 2.0	11	36.7	10	50.0	3	13.6	8	39.0
2.1 - 3.0	9	30.0	1	5.0	2	10.0	9	42.9
3.1 - 4.0	3	10.0	1	5.0	4	18.2	3	14.3
4.1 - 5.0	2	6.7	-	-	6	27.3	1	4.8
5.1 +	-	-	-	-	7	31.8	-	-
TOTAL	30	100.0	20	100.0	22	100.0	21	100.0

TABLE B-XIV

DISTRIBUTION OF BUSINESS CONCERNS BY DAILY AVERAGE SALES

Sales per day (Tk)	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0 - 200	1	2	1	2	7	14	-	-
201 - 400	9	18	7	14	6	12	2	4
401 - 600	3	6	5	10	10	20	11	22
601 - 800	15	30	6	12	3	6	5	10
801 - 1000	12	24	13	26	13	26	14	28
1001+	10	20	18	36	11	22	18	36
TOTAL	50	100	50	100	50	100	50	100

TABLE B-XV

DISTRIBUTION OF BUSINESS CONCERNS BY MONTHLY AVERAGE INCOME (Profit)

Average Income (Tk)	Bogra		Comilla		Patuakhali		Tangail	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
0 - 500	-	-	6	12	8	16	-	-
501 - 1000	6	12	2	4	3	6	-	-
1001 - 1500	7	14	8	16	5	10	1	2
1501 - 2000	14	28	4	8	3	6	11	22
2001 - 2500	9	18	4	8	6	12	8	16
2501 - 3000	3	6	8	16	7	14	15	30
3001 - 3500	5	10	-	-	2	4	1	1
3501 - 4000	1	2	5	10	2	4	5	10
4001 +	5	10	13	26	14	28	9	18
TOTAL	50	100	50	100	50	100	50	100

TABLE B-XVI
 IMPRESSION OF INHABITANTS ABOUT STREET LIGHT
 (For both households and business)

Pourashava	Regular		Irregular		No Street Light		Total	
	Household	Business	Household	Business	Household	Business	Household	Business
Bogra	22	28	41	20	7	2	70	50
Comilla	13	19	48	26	9	5	70	50
Patuakhali	12	7	30	33	28	10	70	50
Tangail	14	18	39	29	17	3	70	50

TABLE B-XVII
 IMPRESSION ABOUT CONSERVANCY (Household)

Pourashava	Regular	Irregular	No Conser- vancy system	Total
Bogra	24	26	20	70
Comilla	9	23	38	70
Patuakhali	10	5	55	70
Tangail	3	13	54	70

TABLE B-XVIII
 IMPRESSION ABOUT WATER SUPPLY (Household)

Pourashava	Regular	Irregular	Very irregular	No system	Total
Bogra	37	16	1	16	70
Comilla	24	14	5	27	70
Patuakhali	28	16	2	24	70
Tangail	12	25	2	31	70

TABLE B-XIX
TYPE OF ROAD BY THE SIDE OF RESIDENCE

Pourashava	Pucca	Semi-Pucca	Kutchha	Total
Bogra	51	16	3	70
Comilla	50	11	9	70
Patuakhali	44	15	11	70
Tangail	43	12	15	70

APPENDIX - C

TABLE C-1a
MUNICIPAL RECEIPTS IN KARNAL DISTRICT (HARYANA), INDIA
1968/69 - 1972/73

Source	(Percentages)				
	1968/69	1969/70	1970/71	1971/72	1972/73
Own Resource	95.6	89.4	85.9	78.7	81.4
Loans	2.1	18.8	8.2	12.6	10.4
Grants	2.3	1.8	5.9	8.7	8.2

TABLE C-1b
MUNICIPAL RECEIPTS IN ANDHRA PRADESH, INDIA
1952/53 - 1961/62

Source	(Percentages)			
	1952/53	1955/56	1958/59	1961/62
Own Resource	87.3	91.4	89.4	83.4
Grants	12.2	7.6	9.8	15.6
Contributions	0.5	0.9	0.8	1.0

TABLE C-1c
MUNICIPAL REVENUE IN WEST BENGAL, INDIA
PERCENTAGES IN 1978/79

Sources	CMD Bodies	Calcutta	Howrah	Other CMD Bodies	Non-CMD	
					Urban Areas with Popu- lation 1 lakh.+	Urban Areas with Popu- lation less than 1 lakh
Own Revenue	59	63	55	50	59	44
Grants	41	37	45	50	41	56

TABLE C-1d
PERCENTAGE DISTRIBUTION OF MUNICIPAL FUND IN
THE PHILIPPINES, 1977

	98 Municipalities	42 Cities
Own Revenue	64.8	75.8
Grants	35.2	24.2

Source: For the above four tables: Asaduzzaman, M. 'Local Level Resource Mobilization in Bangladesh' Report (Draft) of Taxation Studies Project, BIDS, Agargaon, Sher-e-Bangla Nagar, Dhaka, pp. 121, 127, 140, 148

TABLE C-2

REVENUE FROM DIFFERENT SOURCES IN FOUR POURASHAVAS IN 1984-85

(in Thousand Taka)

Sources of Revenue	POURASHAVAS			
	Bogra	Comilla	Patuakhali	Tangail
Holding Tax	3032.0 (35.9%)	1491.3 (21.0%)	685.4 (14.6%)	949.8 (19.3%)
Property Transfer Tax	236.0 (2.8%)	103.4 (1.5%)	55.8 (1.2%)	168.4 (3.4%)
Tax on Erection of Building	127.1 (1.5%)	12.0 (0.2%)	4.8 (0.1%)	6.4 (0.1%)
Profession Tax	193.6 (2.3%)	143.4 (2.0%)	75.9 (1.0%)	48.4 (1.0%)
Tax on Entertainment	251.5 (2.9%)	278.3 (3.9%)	43.1 (1.0%)	10.5 (0.2%)
Tax on Vehicles	275.9 (3.3%)	374.1 (5.3%)	Included with Profession	119.9 (2.4%)
Fees for Markets	275.0 (3.3%)	627.6 (8.8%)	159.1 (9.4%)	189.1 (3.8%)
Other fees and tolls	19.6 (0.2%)	575.3 (8.1%)	138.6 (2.9%)	1502.1 (30.6%)
Own property Income	367.9 (4.3%)	348.0 (4.9%)	33.3 (0.7%)	240.3 (4.9%)
Other Incomes	476.8 (5.7%)	242.2 (3.4%)	87.3 (1.9%)	3.1 (0.1%)
Total Internal Revenue	5255.4 (62.4%)	4196.1 (59.3%)	1283.5 (27.3%)	3238.2 (65.9%)
Government Grant: Normal	196.5 (2.3%)	184.8 (2.6%)	68.4 (1.5%)	78.0 (1.6%)
Octroi Comp.	1042.0 (12.4%)	1047.0 (14.8%)	44.6 (1.0%)	394.4 (8.0%)
W.P.	924.0 (10.9%)	1648.0 (23.3%)	573.5 (12.2%)	1204.5 (24.5%)
Dev. Assistance	1009.6 (12.0%)	- (0.0%)	2722.8 (58.0%)	- (0.0%)
Total Government Grants	3172.1 (37.6%)	2879.8 (40.6%)	3409.3 (76.3%)	1677.0 (34.1%)
Total Revenue	8427.6 (100.0%)	7075.9 (100.0%)	4692.9 (100.0%)	4915.2 (100.0%)

Sources: Pourashava Records.

TABLE C-3

PER CAPITA REVENUE FROM DIFFERENT SOURCES IN FOUR POURASHAVAS 1975-76
AND 1983-84 IN 1975-76 CONSTANT PRICES

Sources of Income	Bogra		Comilla		Patuakhali		Tangail	
	1975-76	1983-84	1975-76	1983-84	1975-76	1983-84	1975-76	1983-84
Holding Tax	9.72	17.99	6.18	7.06	7.47	4.47	2.93	11.21
Property Transfer Tax	.64	1.72	.46	.53	.63	.47	.55	.95
Tax on Erection of Building	.20	.84	.05	.06	.08	.04	.07	.04
Octroi	11.10	-	2.72	-	1.74	-	-	-
Profession	1.62	1.57	.60	.50	.82	.82	.31	.40
Tax on Entertainment	2.59	2.45	1.31	1.57	.68	.02	.23	.14
Tax on Vehicles	1.08	1.25	.76	1.25	-	-	.01	-
Fees for Markets	-	1.31	.10	2.61	-	.82	-	1.12
Other Fees and tolls	1.55	1.94	.58	2.97	.94	1.01	.30	10.86
Own Property Income	2.17	2.53	0.69	0.51	0.59	0.10	0.56	0.26
Other Incomes	4.27	1.64	1.15	3.29	.59	2.21	.0010	.009
Total Internal Revenue	35.03	33.27	14.72	22.79	13.71	15.21	5.02	25.57
Govt. Grant: Normal	2.73	.82	1.49	.68	1.27	.41	.81	.07
Octroi	-	7.50	-	4.39	-	.49	-	2.66
W.P.	6.21	4.67	2.01	3.95	-	4.57	-	4.68
Dev. Assistance	-	6.91	-	2.03	-	25.43	.82	3.82
Total Government Grants	8.94	19.92	3.50	11.07	1.27	30.91	1.64	11.24
TOTAL REVENUE	43.97	53.20	18.22	31.58	14.98	45.64	6.67	36.81

Source: Pourashava Records

TABLE C-4

AVERAGE ANNUAL GROWTH RATES OF REVENUE IN FOUR POURASHAVA IN 1975/76 - 1980/80
AND 1980/81 - 1984/85 PERIODS IN NOMINAL PEICES

Sources of Income	POURASHAVA							
	Bogra		Comilla		Patuakhali		Tangail	
	1975/76- 1979/80	1980/81- 1984/85	1975/76- 1979/80	1980/81- 1984/85	1975/76- 1979/80	1980/81- 1984/85	1975/76- 1979/80	1980/81- 1984/85
Holding Tax	18.72	15.57	6.31	9.56	18.12	4.58	27.76	19.21
Property Transfer Tax	18.82	11.76	7.76	9.60	16.85	4.88	28.41	-1.33
Tax on Erectin of Building	18.01	21.11	15.72	1.98	8.11	-4.43	28.18	-7.51
Octroi Tax	12.73	-	26.71	-	5.80	-	-	-
Profession Tax	4.93	13.47	1.09	15.08	14.22	10.25	16.12	5.01
Tax on Entertainment	5.29	8.76	8.55	4.24	10.21	1.92	25.91	-18.58
Tax on Vehicles	11.164	15.71	1.39	29.44	-	-	-30.94	-
Fees for Markets	-	27.48	37.09	19.01	-	16.70	-	33.18
Other Fees and Tolls	36.57	33.76	5.01	-	21.54	16.26	18.23	27.34
Own Property Income	16.99	8.34	7.16	33.35	8.34	15.58	6.07	3.53
Other Incomes	-10.4	8.28	10.27	-3.60	23.68	16.39	-	-39.36
Total Internal Revenue	13.80	4.94	18.58	1.08	18.65	7.24	30.18	16.86
Govt. Grants: Normal	-0.22	8.26	6.39	-1.92	1.62	12.69	1.92	1.67
Octroi	-	-	-	-	-	-	-	-
W.P.	-5.21	-	7.38	-	-	12.99	-	-
Dev. Assistance	-	-	-	-	-	-	-	-
Total Govt. Grants	14.48	23.52	6.97	28.16	31.02	28.27	22.99	25.01
TOTAL REVENUE	13.95	10.5	17.03	9.01	20.89	20.56	29.04	19.40

TABLE C-5

DEMAND AND COLLECTION OF HOLDING TAX IN FOUR POURASHAVAS

Year	(In Lakh Tk)							
	Bogra		Comilla		Patuakhali		Tangail	
	Demand	Collection	Demand	Collection	Demand	Collection	Demand	Collection
1975-76	10.60	5.47 (51.64)	23.39	5.62 (24.04)	3.95	2.15 (54.46)	3.09	1.76 (56.89)
1976-77	10.61	5.40 (50.92)	23.06	5.08 (22.02)	5.25	2.56 (48.83)	4.22	1.54 (36.61)
1977-78	11.39	6.60 (57.93)	26.65	5.91 (22.18)	6.51	2.65 (40.70)	9.16	2.67 (29.20)
1978-79	27.91 ^{a/}	19.67 ^{a/} (70.47)	29.31	6.31 (21.53)	8.33	4.09 (49.10)	12.96	2.23 (17.23)
1979-80	23.79	17.03 (71.60)	31.82	7.32 (22.99)	10.08	5.71 (56.66)	17.29	9.63 (55.72)
1980-81	22.85	15.14 (66.25)	33.78	7.71 (22.82)	9.13	5.46 (59.78)	14.20	5.98 (42.08)
1981-82	25.20	17.70 (70.23)	35.37	11.30 (31.95)	13.32	7.01 (52.66)	19.92	5.52 (27.72)
1982-83	25.80	17.50 (67.84)	37.68	13.61 (36.15)	13.74	6.76 (49.19)	26.34	8.44 (32.06)
1983-84	49.85 ^{b/}	27.14 ^{b/} (54.43)	43.3	15.42 (35.83)	14.88	8.03 (53.92)	29.43	13.15 (44.69)
1984-85	59.23	36.15 (61.04)	41.52	15.03 (36.18)	15.10	6.85 (45.39)	28.37	9.36 (32.99)
1975/76- 1984/85	267.27	167.84 (62.79)	325.60	93.31 (28.85)	100.30	51.28 (51.12)	164.98	60.31 (36.55)

Note : a/ -The sharp rise in demand and collection is due to re-assessment.

b/ - The sharp rise is due to assessment of holding in extended area

Source : Pourashava Records

TABLE C-6
PROPERTY TRANSFER TAX IN SELECTED COUNTRIES

Country	Rate and Base
Afghanistan	1 Per cent of the sale price of land
Bangladesh	1 Per cent of the sale price of land
France	4.2 per cent on the gross sale price of housing, 16% of the gross sale price of business.
Germany	7 per cent on the value of land
Greece	11 Per cent on the value of the estimated market value of the property
Guatemala	1 per cent on the sale value of real estate
Jordan	1 per cent on the purchase price of land
Korea	7 per cent on the value of land
Lebanon	3 per cent of the purchase price of land for citizens and 5 per cent of the purchase price for foreigners
Mexico	5 to 7 per cent of the property's value
Nepal	5 per cent of the value of property
Singapur	2 to 3 per cent of the value of the real property transferred
Spain	7.4 per cent of the real value of real estate
Taiwan	0.1 per cent of the transfer price of real property

Source: Zilla Roads/Local Finance Project, Interim Report No. 3, Syracuse University, USA, p. 2

TABLE C-7

TOTAL PAYMENTS ASSOCIATED WITH TRANSFER OF IMMOVABLE PROPERTY

Value of Property	Immovable Property Transferable Tax		Stamp Duty		A Fee		Total	
	Amount (Tk)	Av. Tax Rate (%)	Amount (Tk)	Av. Tax Rate (%)	Amount (Tk)	Av. Tax Rate (%)	Amount (Tk)	Av. Tax Rate (%)
1,000	10	1.0	60	6.0	12	.12	82	8.2
5,000	50	1.0	300	6.0	90	1.8	440	8.8
10,000	100	1.0	600	6.0	190	1.9	890	8.9
25,000	250	1.0	1,950	7.8	490	2.0	2,690	10.8
50,000	500	1.0	4,800	9.6	990	2.0	6,290	12.6
75,000	750	1.0	8,250	11.0	1,490	2.0	10,490	14.0
1,00,000	1,000	1.0	12,000	12.0	1,990	2.0	14,990	15.0
2,50,000	2,500	1.0	38,250	15.3	4,990	2.0	45,740	18.3
5,00,000	5,000	1.0	82,000	16.4	9,990	2.0	96,990	19.4
10,00,000	10,000	1.0	1,69,500	16.9	19,990	2.0	1,99,490	19.9

Source: Zilla Roads/Local Finance Project Interim Report No. 3 "The IPTT in Bangladesh", James Alm, p. 17.

TABLE C-8

POURASHAVA REVENUE FROM IPTT AT NOMINAL AND CONSTANT PRICES

(in '000 Tk)

Year	POURASHAVA							
	Bogra		Comilla		Patuakhali ^{b/}		Tangail	
	Nomi- nal	Real	Nomi- nal	Real	Nomi- nal	Real	Nomi- nal	Real
1975-76	31.85	31.85	41.98	41.98	18.25	16.25	29.92	29.92
1976-77	33.83	35.82	44.17	46.78	31.68	33.55	61.79	65.44
1977-78	48.86	51.46	38.02	40.05	36.63	38.58	88.61	93.33
1978-79	189.01	190.09	74.39	74.82	34.96	35.16	113.63	114.28
1979-80	88.45	84.06	62.20	59.11	44.82	42.59	176.81	16.80
1980-81	128.79	98.55	63.38	48.50	43.67	33.42	180.01	137.75
1981-82	144.71	97.01	52.97	35.51	53.46	35.84	156.85	105.15
1982-83	166.75	111.66	139.61	78.08	41.35	27.69	127.93	85.67
1983-84	203.63	127.26	116.94	73.08	42.53	26.58	128.92	80.57
1984-85	236.07	137.12	103.43	59.82	55.81	32.28	168.41	97.41
% change 1975/76-1984/85	641.19	330.52	146.38	42.50	205.81	76.88	462.87	225.57
Growth Rate of IPTT 1975/76- 1984/85	15.24	12.46	8.45	3.50	10.14	5.55	13.97	10.60

Note: a/ at 1975-76 constant price

b/ For Patuakhali Tax on Vehicles are added with IMPTT

Source: Pourashava Records

TABLE C-9
EMPLOYMENT BY FUNCTION IN SURVEY POURASHAVA

Function	Bogra		Comilla		Patuakhali		Tangail	
	79-80.	84-85	79-80	84-85	79-80	84-85	79-80	84-85
General Estab.								
a. Official	15	16	10	11	4	5	3	3
b. Others	18	28	6	6	3	3	4	5
Assessment and Collection								
a. Official	16	22	16	16	6	7	8	9
b. Others	2	2	12	10	1	2	1	1
Accounts								
a. Official	4	4	6	6	2	6	4	4
b. Others	1	1	4	2	1	2	2	2
Conservance								
a. Official	5	7	1	1	1	3	-	-
b. Others	10	3	2	-	-	-	-	-
c. Sweeper and Labour	252	317	96	63	1	2	32	34
Lighting								
a. Official	1	1	2	2	-	1	-	-
b. Others	2	7	13	9	1	2	-	-
Water Supply								
a. Official	1	-	1	-	1	1	6	6
b. Others	20	-	25	-	6	8	15	18
Health								
a. Official	11	8	7	5	6	6	5	5
b. Others	11	15	5	1	-	-	1	1
License								
a. Official	4	6	3	2	1	2	2	2
b. Others	2	9	4	1	2	2	1	1
Building/Engineering								
a. Official	-	4	3	3	-	-	2	2
b. Others	-	8	35	26	-	-	3	3
Poura School								
a. Official	22	23	-	-	-	-	-	-
b. Others	8	7	-	-	-	-	-	-
Works Programme								
a. Official	9	5	4	4	-	-	4	4
b. Others	71	1	10	1	-	-	6	7
Others								
a. Official	6	1	32	23	-	-	-	-
b. Others	30	37	53	16	-	3	-	-
Total								
a. Official	94	97	85	73	21	31	34	35
b. Others	175	118	169	72	14	22	33	38
c. Sweeper, Labour	252	317	96	63	1	2	32	34
GRAND TOTAL	521	532	350	208	36	55	99	107

TABLE C-10
NUMBER OF TRADE LICENSES IN THE STUDY POURASHAVAS

Type of License	Bogra		Comilla		Patuakhali		Tangail	
	79-80	84-85	79-80	84-85	79-80	84-85	79-80	84-85
1. Wholesale Shop	800	1,000	400	800	129	184	385	500
2. Mill, Factory, Bakery, Brickfield	94	217	100	200	75	75	123	208
3. Boarding house, hotel					38	31	109	129
4. Workshop					0	13	-	-
5. Gold Shops					25	15	40	44
6. Cinema hall	4	4	5	5	2	2	4	4
7. Retail Shop	1,500	2,000	1,000	1,500	573	540	592	740
8. Laundry, Saloon, Maker and Repair, Tailor					42	57	71	102
9. Contractor Licence					21	78		
TOTAL TRADE LICENSE	3,787	5,225	2,060	3,260	905	995	1,324	1,727
10. Contractor Registration								
Class I			-	44	135	46		
Class II			-	46	133	80		
Class III			-	21	30	8		
TOTAL CONTRACTOR	166	496	-	111	298	134	133	140

Source: Pourashava Records

TABLE C-11

EXPENDITURE PATTERNS IN THE STUDY POURASHAVAS (1984-85)

(In Current Taka)

Head of Expenditure	Bogra	Comilla	Patuakhali	Tangail
1. Salary etc. of Establishment Section	11,65,829	11,44,407	8,01,846	6,86,764
2. Salary etc. of Tax Collection Section	3,46,378	4,86,805	b/	1,52,920
3. Salary etc. of public health section	1,19,778	1,13,660	89,000	60,503
4. Salaries of Sweepers	6,93,645	1,63,762	c/	79,991
5. Salary etc. of Conservancy Section	13,85,544	4,28,629	d/	1,14,657
6. Salary etc. of Electricity Section	1,42,878	1,66,936	-	84,929
7. Salary etc. of Water Supply Section	59,814	65,000	1,06,443	40,604
8. Salary etc. of License Section	1,79,114	a/	e/	f/
9. Salary etc. of employees of other section	1,40,152	2,16,006	-	61,774
10. Works Programme Development Works and Salaries of Staff	8,56,704	16,48,000	5,73,500	9,02,896
11. Other Development Works	22,78,034	7,13,745	30,70,821	5,40,199
12. Education, Culture, Social Welfare and Sports	6,17,636	39,239	10,559	81,923
13. Park, Tree Plantation	1,55,404	86,795	150	-
14. Edgah, burying ground	-	1,22,427	-	1,125
15. Misc. Expenses	56,368	1,83,872	10,560	1,12,354
16. TOTAL EXPENDITURE	81,97,278	55,79,286	4662,879	55,20,639

Note: a/ : added with the salaries of tax collection section,
 b/ e/ : added with the salaries of establishment section
 c/ d/ : added with the salaries of public health section
 f/ : included with the salaries of tax collection section

Source : Pourashava Records

FOOTNOTES

1. Bangladesh's average budget dependence on foreign aid in the last few years was close to 80 per cent.
2. This is apparent from the government's increased need to borrow from the Central Bank. Bangladesh Observer writes on its 31st December, 1985 issue,

"The revenue deficit amounting to about Taka 157 crore during the first six months of the current fiscal year (1985-86) was financed by way of borrowings from the country's central bank, Bangladesh Bank. the entire amount came by way of infusion of currency notes under the cover of Treasury Bills and Ways and Means advances. .

The outstanding amount of treasury bills carrying an interest rate of nine per cent stood at about Taka 1,477 crore on December 27, 1985 compared to Taka 1,303 crore on June 30, 1985. Similarly, the volume of Ways and Means advances from Bangladesh Bank registered a sharp growth during the period under report from Taka 2.97 crore to Taka 20 crore.

3. It has been estimated by Larry Schroeder in a World Bank report, "Urban Government Finance and Management Issues in Bangladesh", that in three medium-sized Pourashavas, Comilla, Sylhet and Jessore, spendings on maintenance of roads were respectively 14%, 63% and 87% of actual spending needs in 1982-83 showing inadequate maintenance of the most important infrastructure of Pourashavas. Other evidences of inadequacies that may be mentioned, are, the financial incapacity to fix about half of the bulbs in the lightposts in all the four Pourashavas visited by the present author, absence of a modern drainage system, and inability to develop water supply system -- in Gomilla and Bogra, water supply responsibilities have been temporarily taken over by the Department of Public Health Engineering (PHE) of M/O LG and RD from the Pourashavas to develop them because their development was not possible on the part of the Pourashavas.

4. This is one of the 7 objectives of Second Five Year Plan, Planning Commission, Ministry of Finance and Planning, Government of Bangladesh, May 1983, p. 23.
5. Secondary cities have been defined as those cities which receive importance immediately after the four divisional headquarters and two other big cities, that is Tongi and Narayanganj. These are, to tell collectively, the pre-1983 district headquarters. Such a name has been chosen for these Pourashavas mainly for the absence of any suitable groupings of the cities of Bangladesh. According to East Pakistan Local Councils Service Rules, 1968 (still operative), municipalities have been classified into three categories on the basis of local financial resources. The categories are Class I, Class II and Class III, classified according to their annual incomes of Rs. upto 5 lakh, 5-30 lakh and above. Today, this categorisation is irrelevant due to inflation.
6. Only Lesotho experienced a higher urbanisation rate of 17 per cent in the seventies (1970-1980). See World bank, "Bangladesh: Economic and Social Development Prospects, Bank Report No. 5409. Vol. III, Washington, D.C., 1985, p. 5.
7. Computed from BBS, Statistical Year Book, 1983-84, pp. 480-481, 574.
8. Computed from Tables 14.B and 15.B. Rahman, Md. Shafiqur, "Bangladesh Pourashava (Municipality) Statistics", Local Government Institute, Dhaka, 1977.
9. Calculated from financial records of these Pourashavas collected by the author.
10. See Asaduzzaman, M. "The Role of Grants in Local Government Finance in Bangladesh", a paper presented in the international seminar on "Decentralisation, Local Government Institutions and Resource Mobilisation", at BARD, Comilla, Bangladesh, which reads as follows in page 15,

"The Bureau of Statistics may not be much of a help in understanding properly the importance of grants, ... dependence of grants for various types of local government as indicated by Bureau with those obtained through an in-depth field survey conducted in recent years ... Bureau figures very substantially understates the reliance of local governments on grants. Take for example, the year 1978/79 when the Bureau figures indicate the largest relative disbursements of grants. In that year, the magnitude of understatements have been 29%, 38% and 7% for Zilla Parishad, Union Parishad and Pourashavas respectively. The divergence for other years is greater still."

11. "Government of East Pakistan, Department of Health and Local Self Government, Local Self Government Branch", "Report on the Working of Municipalities in East Pakistan During the year 1950-51", 1959.
12. Two such reports that partly discuss on issues of municipal finance are, one, "Final Report of the Zilla Roads/Local Finance Project - A Plan for Increased Resource Mobilisation", 1985, headed by Larry Schroeder, and another, "Project Evaluation and Local Financial Resources for Development in Bangladesh" - UNDP-UNCHS-UDD Working Paper seven, Dec. 1985, published under Bangladesh National Physical Planning Project.
13. The classification of employees is governed by the Local Council Service Rules, 1968.
14. National data for loans and advances for the Pourashavas in recent years are not available. The figures for 1950/51 (for reference see page 21) show that loans and advances constituted 4.4% of total revenue of Pourashavas in that year. Asaduzzaman, M. calculated revenues for four Pourashavas where loans and advances constituted 5.8% of revenue in 1979/80, 1.2% in 1980/81 and 2.4% in 1981/82. The present author who collected information on revenue collection of 45 Pourashavas from the Ministry of LG and RD found that only 4 Pourashavas received loans in 1982-83 of which Dhaka Municipal corporation made the highest share of borrowing constituting 2.4% of total revenue. Of the 4 Pourashavas the author visited only Bogra received loans in the last ten years which accounted for less than 1% of its revenue during this period.

15. See, "Urban Government Finance and Management Issues in Bangladesh", by Larry Schroeder, World Bank, 1985, pp. 29-46 and "Final Report of the Zilla Roads/Local Finance project", Volume II 1985, Metropolitan Studies Programme, Maxwell School of Citizenship and Public Affairs, Syracuse University, pp. 49-65.
16. The 1960 Taxation Rules States (sections 42 and 43) that no rate shall be imposed in areas where streets and public latrines are not cleaned, or where lighting cables, wires and posts are not installed. In fact, as the author found during field trips, in all the four Pourashavas rates were imposed both on serviced holdings as well as on non-serviced holdings.
17. Since this limit was set in 1960s inflation has eroded the value so much that no structure now qualifies in any Pourashava for exemption for this reason.
18. The rate is however very low -- in between Tk. 25 and Tk. 100 per year - mostly on the lower side of this rate.
19. In case of owner-occupied houses a rebate of 25% is allowed on annual valuation which is not given to rented houses.
20. This 97 per cent distribution formula is effective from 1981-82. Previously 95 per cent was distributed to the Pourashavas keeping 5 per cent for administrative expenses.
21. The Bengal Registration Manual 1928, which the officers follow, states that

"Officers are not responsible for checking the evaluation of the property" (page 83).
22. As was found in case of Pourashava revenue data for 1982-83 which the author collected from the M/C LG and RD, Dhaka.

- 23, 24, 25. See Bahl, Roy "Inter Governmental Grant in Bangladesh", Interim Report Number 10, Zilla Roads/Local Finance Project, Syracuse University, USA.
26. See Asaduzzaman, M., "Local Level Resource Mobilisation in Bangladesh", a Report (Draft) for the Bangladesh Planning Commission, under Taxation Studies Project, BIDS, Agargaon, Dhaka, pp. 189-190.
27. See Dhaka Municipal Corporation, "Finance Management Study", United Nations Centre for Human Settlement (UNCHS), Habitat Housing Development Project Report, No. BGD/81/004, UDD, M/O Works, Bangladesh, Oct. 1985, pp. 104-105.
28. See, for example, Asaduzzaman, M. "Local Level Resource Mobilization in Bangladesh", BIDS, Dhaka, 1985, p. 28, and James Alm, "The Immovable Property Transfer Tax in Bangladesh", Interim Report No. 3, Zilla Roads/Local Finance Project, Dhaka, 1984, p. 42.
29. Officials in Bogra Pourashava have suggested for still higher rate. They proposed for a rate of 5%. Patuakhali proposed for a rate of 2% and Tangail and Comilla proposed 3% each.
30. The proposed rates have been estimated keeping in mind the rise in price level since the time when those rates were fixed.
31. Roy Bahl recommended to the Bangladesh Government for a 80-20 share in case of all the local bodies. He proposed to allocate in the ratio: population-50%, backwardness-20% and performance-20%. See, Bahl, Roy, "Bangladesh Grant System", Zilla Roads/Local Finance Project, Interim Report No. 10, Syracuse University, USA, 1984, p. 102.
32. Report for "Rajshahi Town Development Authority, here, BUET, Dhaka, p. 14.

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10. Steiner, Kurt, "Local Government in Japan", Stanford University Press, Stanford, California, 1965.

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