



LOCAL GOVERNANCE SUPPORT PROJECT - 3

EMPOWERING LOCAL GOVERNMENTS FOR IMPROVED SERVICE DELIVERY

BASIC INFORMATION

APPROVAL DATE:
**January 31
2017**

END DATE:
**December 31
2021**

TOTAL COMMITMENT:
\$290 million

IMPLEMENTING AGENCIES:
Local Government Division

OVERVIEW

Bangladesh has had a long history of local governance stretching back over 130 years, but it is only recently that local governments are increasingly realizing their potential within the development of the country. Built on the success of two preceding projects, the **Third Local Governance Support Project (LGSP-3)** aims to empower the local governments at grassroots level with discretionary funds that would enable communities decide and implement local development priorities. The pioneer project, LGSP was the first nationwide effort to strengthen the Union Parishads (UPs), the lowest tier of local governments in Bangladesh. Beginning in 2006, LGSP had successfully strengthen local governments that provide accountable services and has helped create the space for deeper decentralization. LGSP2 continued to support Government of Bangladesh's decentralization efforts with the objective of strengthening Union Parishads to become accountable and responsive, supported by an efficient and transparent intergovernmental fiscal system to Union Parishads (the lowest tier of local governments). The LGSP-3 supports the institutionalization of these activities and processes in the government system.

CHALLENGE

Local governments in Bangladesh operate in a highly constrained policy and institutional environment. They have inadequate fiscal autonomy and own source revenues, limited decision-making powers, and weak accountability systems. Subnational expenditure as a share of total government expenditure has been less than 4 percent, while less than 2 percent of total government revenue is collected at local levels. However, the over 4,500 UPs provide communities with opportunities for inclusive participation in civic affairs, to enhance government accountability and transparency at the grassroots level.

Successive governments have affirmed their intent to devolve powers to lower levels through more autonomy and increased allocation of resources. In 2009, the local government laws were revised to facilitate the transfer of additional expenditure responsibilities and enhanced fiscal resources to UPs. These reforms enabled a transparent and predictable fiscal transfer system for UPs and established by the consecutive phases of LGSP. Fiscal transfers supported by the project enabled UPs to execute their assigned expenditure mandate as per the 2009 UP Act.

APPROACH

By covering all 4569 UPs with about 130 million population, LGSP-3 continues to provide direct block grants to eligible UPs that meet the minimum transparency and governance conditions (i.e., participatory planning and open budgeting, timely submission of biannual financial reports, and annual audit clearance), along with full discretion for communities to decide their own priorities and grant utilization. In the final two years of LGSP-3, the administering of the basic block grants and the annual audits of all UPs will be brought under the direct purview of the Local Government Division of the Government of Bangladesh.

The LGSP2 established a nationwide performance grant system with clear criteria and transparent assessment, supported by rigorous annual financial audits mainstreamed in all UPs nationwide. The open budgeting and planning as means for citizen engagement enabled the community members to discuss spending needs, set their priorities, and debate spending efficacy. Also, strengthening the UP Helpline and introducing women's forums at the Upazila level will also continue under LGSP-3. The project continues to earmark about 30 percent of the grants for local schemes to be prioritized by women. It also has established a management information system for monitoring, evaluating and supervising local governments.

TOWARDS THE FUTURE

The ongoing LGSP-3 aims to mainstream and institutionalize the formula-based UP fiscal transfer system into the government's inter-governmental fiscal framework, through several significant policy reforms. Given the upcoming institutionalization of the basic block grants and the UP audits in the mainstream government system under LGSP-3, the processes introduced under LGSP and further bolstered under LGSP2 in empowering the lowest tier of local governments of Bangladesh, is likely to be sustained.



EXPECTED RESULTS

Over 130 million people across the country benefitted from enhanced resources in conjunction with improved governance and service delivery

All **4,569** Union Parishads get annual financial audit and performance assessment for improved financial accountability

30% of funds to schemes prioritized by women, through over **400** functional Upazila Women's Development Forums

20% annual increase in Union Parishad own- source revenues nationally