



COMMONWEALTH LOCAL GOVERNMENT FORUM



## SOUTH ASIA **Regional Programme**

# Local Economic Development in South Asia: A Review of Policy and Practice



**OKAPI**

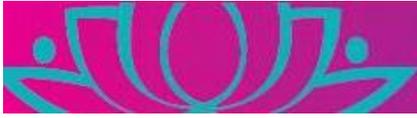


Paper prepared for the Commonwealth Local Government Forum (CLGF) by: Okapi Research

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### Supporting decentralisation and LED in the Commonwealth - DFID funded programme

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### Background to CLGF

CLGF is a membership organisation, and is unique in bringing together local government, ministries of local government, national associations of local government and individual councils from across the 53 countries of the Commonwealth. It also has research, training and professional organisations as associate members. Its work focuses on promoting local democracy, exchange of experience and good practice, and capacity building designed to improve policy making, strengthen local government institutions and improve service delivery and democracy/democratic processes at the local level. [www.clgf.org.uk](http://www.clgf.org.uk)

### About Okapi research

Okapi is an India-based research and consulting group focused on institutional design for complex goals in changing times. Okapi help their clients create policies, ecosystems, and organisations that motivate and aggregate individual contributions to broader public purposes. <http://okapia.co/>

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## I. Introduction

Local economic development (LED) is emerging as an important driver of context-specific and inclusive sustainable development across the world, and South Asia is no exception. Many of the South Asian countries have empowered decentralised local government structures, recognising the need to localise and decentralise economic development. This enhanced focus on increasingly localised economic development is a global concern, which is currently gaining momentum.

As the Millennium Development Goals (MDGs) come to an end in 2015, the global debate on the post-2015 development agenda is already well underway. Unlike in the conception of the MDGs, local government, civil society, the private sector and other national, regional and international stakeholders have been far more engaged in the process than their successors. Following this extensive consultation, 17 Sustainable Development Goals (SDGs) have been drafted<sup>1</sup>. With an increased focus on context specific and local economic development as a driver of poverty reduction, women's empowerment and 'inclusive growth with quality work' the world over, this is a great opportunity to ensure that local government and local economic development feature prominently in the strategy for implementing the new SDGs which promise to 'leave no one behind' and ensuring effective and accountable government 'at all levels' (see Slack, 2014). This signals an important shift from a wholly top-down approach to a more bottom-up and localised approach which recognises the importance of local contexts and environments and of local governments as key actors in setting, monitoring and achieving the SDGs. There is also an emphasis on the ability of local governments to effectively implement and affect LED and positive local change, given the right policy framework, enabling environment and financial tools.

We hope that this paper will contribute to localising the SDGs and inform the debate on increased bottom-up development, by enhancing our understanding of the state of local government and LED in South Asia, and the lessons and opportunities that exist. To that end, *this paper considers the current state of LED in the five South Asian Commonwealth countries: Bangladesh, India, Maldives, Pakistan and Sri Lanka.*<sup>2</sup>

With no common definition and limited sector-wide understanding of local economic development frameworks in South Asia, we need to instead look at a range of policies and activities that can reasonably be seen to make up local economic development in its different forms in South Asia. As such, it is necessary to look at what kind of LED activities and capacities are in place at the local level within local government; such as those that support agriculture and allied rural activities, small, micro and medium businesses and informal sector workers, such as urban street vendors. This paper attempts to map the different policies, programmes and activities that together make up local economic development across South Asia. Since local government is closely linked with LED, we consider first the current state of local government, including fiscal devolution, before moving on to evidence of policy frameworks implementation related to LED. Lastly, we provide examples of local economic development in practice for each of the five country.

Local government not only plays a role in implementing or directly supporting local economic development through projects, but has at least as vital a role in creating an enabling environment for local business and the livelihoods of its citizens. For example, ensuring that basic infrastructure such as roads and electricity, health and education services are available to all, to ensure that it is relatively easy to start and 'do' business, and that complying with local regulations is straightforward and does not require bribes. Further, with a large part of the economic activity in South Asia being informal, it is of central concern that local government works with and enables informal economic actors, such as street vendors, in an proactive and inclusive manner. Local government can be seen therefore as far from being a passive regulator, more as an active stakeholder and driver of local economic development.

Nevertheless, given the limited nature of local government in some of the countries, and the relative strength and importance of the third sector in providing access to basic services (especially in Bangladesh), some of the examples given in this paper rely on civil society/NGO activity as much, if not more, than local government activity.

The rest of this chapter sets the context in which LED is emerging in South Asia, before outlining the framework for the paper, methodology used and structure of the rest of the paper.

### 1.1 South Asia: Setting the Context

The five countries, whilst having a number of similarities within their local governance systems, are at different stages of development, with Maldives an upper middle-income country, Sri Lanka comfortably a middle income country, Pakistan and India lower middle income countries, and Bangladesh a low income country (World Bank 2014). Overall, the Commonwealth countries of South Asia are in a state of transition, change and uncertainty. Sri Lanka recently came out of a long civil war, and held presidential elections in 2010, strengthening the mandate of the then incumbent president Mahinda Rajapaksa who, after changing the constitution so he could run for a third term, narrowly lost in early 2015 to Maithripala Sirisena, one of his former ministers, running on an opposition coalition ticket. Pakistan is fighting an internal insurgency across large swathes of its territory, including the porous border areas near Afghanistan, resulting in security concerns across large parts of the country, and had its first democratic transition of power after elections held in May, 2013 when Nawaz Sharif took over as prime minister.

Bangladesh meanwhile, suffered violent protests and a standstill, during and after highly contested elections in January, 2014 which returned the incumbent Sheikh Hasina amidst an election boycott from the opposition. India concluded largely peaceful elections with a change of government, and Narendra Modi becoming the new prime minister, in May, 2014. The Maldives, having held its first democratic presidential elections in 2008, held elections in November 2013 when Abdulla Yameen became president.

A major challenge across South Asia is the large youth population. A large number of young people require further education and skills where there are not enough 16+ further education institutions and training opportunities. Further, many graduates struggle to find jobs upon graduation, and youth unemployment is a big and increasing problem.

Country	Total Population (millions) <sup>a</sup>	<15 Years (%) <sup>a</sup>	% Urban	Literacy rate <sup>b</sup>			Sex ratio	% Informal employment
				female	male	total		
Bangladesh	158.5	29	26	53	62	58	0.95	TBC
India	1,296.2	31	31	65.5	82.1	74	1.08	84
Maldives	0.4	26	41	98.4	98.4	98.4	1.04	TBC
Pakistan	194.0	38	35	40.3	68.6	55	1.06	78.4
Sri Lanka	20.7	26	15	90	92.6	91	0.96	62
South Asia total (Nine countries)	1,806	31	32	51.9	73.6	63	TBC	82
World	7,238	26	53	79.9	88.6	84.1	TBC	TBC

Sources: <sup>a</sup>World Population Datasheet 2014, [www.prb.org/pdf14/2014-world-population-data-sheet\\_eng.pdf](http://www.prb.org/pdf14/2014-world-population-data-sheet_eng.pdf)

<sup>b</sup>: CIA Fact book; UNESCO, Census of India, 2011, and World Bank Database. <sup>c</sup>: WIEGO & ILO

The informal sector is particularly important in Bangladesh, India and Pakistan, because it generates the vast majority of livelihoods opportunities for low-income consumers. The proportion of total worker in the informal sector is estimated to be 84% in India, 78% in Pakistan and 62% in Sri Lanka. Infrastructure, while improving, continues to be lacking across the region, especially in rural areas of Bangladesh, Pakistan and India. Sri Lanka has nearly full electricity coverage, while the other four countries cover only 60% (Bangladesh), 70% (Pakistan) to

75% (India) of the population, and even then weak and unreliable electricity and load shedding are major concerns for industry. The Sri Lankan government has been heavily investing in developing roadways, ports and the aviation sector during the past five years. In 2012, there were 100 mobile subscriptions per 100 people and 942,461 internet users (4.5% of the population). In Bangladesh, while there are 64 mobile cellular subscriptions per 100 people, the internet usage is as low as 0.34%. However, the use of mobile money is increasing.

Country	Electricity coverage % of population	Road density km per 100km <sup>2</sup>	Mobile subscriptions per 100 population	Internet users % of population
Bangladesh	59.6	15	67.1	6.5
India	75.3	143	70.8	15.1
Maldives	93	29	181	22
Pakistan	68.6	33	70.1	10
Sri Lanka	~100	174	100	21.9
South Asia	73.2	119	70.7	13.7
World	78.2	32.6	92	38.1

Sources World Bank 2014: Mobile subscriptions: <http://data.worldbank.org/indicator/IT.CEL.SETS.P2>

Internet users: <http://data.worldbank.org/indicator/IT.NET.USER.P2>

Access to electricity <http://data.worldbank.org/indicator/EG.ELC.ACCS.ZS>

In Bangladesh, though densely populated, connectivity is limited by lack of road networks which is as low as 15km of road per 100km<sup>2</sup> of land area. In Pakistan, 10% of the population has internet, predominantly in urban areas but the country is still waiting for 3G coverage - the last one of the five in this study. With a lack of 3G, the use of mobile phones to access information is less common in Pakistan compared to the other three countries. India crossed 200 million internet users in 2013 with a year on year growth in users of 40% in 2013. Lastly, the Maldives is unique among the five countries in that it consists of a large number of islands, with a larger amount of sea

territory than land. Most of the population is located on a few of the larger islands, and electricity coverage is almost complete on populated islands (it was 93% in 1998 – the latest figures available).<sup>3</sup> Internet usage in the country stood at 22% in 2010.<sup>4</sup>

A major concern for the private sector in South Asia is the difficulty of starting and doing business. Some of the major challenges to doing business in the region are reported to be corruption, lack of infrastructure, unstable politics, and, at times, unpredictable taxation (such as retrospective application of taxation).

Country	Ease of Doing Business global ranking (1-189)	Transparency International Corruption Perception global ranking (1-177)
Bangladesh	130	136
India	134	94
Maldives	95	N/A
Pakistan	110	127
Sri Lanka	85	91

Source: World Bank Ease of Doing Business Report, 2014; TI Corruption Perception Index, 2013

<sup>1</sup> The Ease of Doing Business index considers the ease of starting and running a private business in a country whilst the Transparency International index considers the level of perceived corruption in the public sector.



Infrastructure including reliable electricity and internet access are again a particular challenge in much of Bangladesh, India and Pakistan, while roads and infrastructure for accessing markets are major challenges outside the cities. According to this study, corruption is seen as particularly problematic for business in India, Pakistan and Bangladesh, as well as in Sri Lanka and Maldives to a lesser degree.

Political instability is a major concern for business and investors in Bangladesh, while the security situation is particularly highlighted as problematic by business and investors in Pakistan.

A significant share of the populations across India, Pakistan and Bangladesh are poor. The number of people living in poverty – measured as either living on less than US\$1.25 or US\$2.00 a day – is relatively high across the region, being highest in Bangladesh, and lowest in the Maldives.

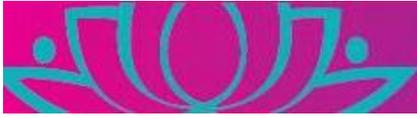
**Table 1.4: % of Population Below Poverty Line & Gini\* (2012)**

Country	% < US\$2/day	% < US\$1.25/day	Gini (0 = equality – 100= inequality)
Bangladesh	76.5	43.3	32.1
India	68.8	32.7	33.9
Maldives	12.2	1.5	37.4
Pakistan	60.2	21	30
Sri Lanka	23.9	4.1	36.4

Sources: World Bank Poverty & Equality Data,  
<http://povertydata.worldbank.org/poverty/region/SAS>;  
<http://data.worldbank.org/indicator/SI.POV.GINI>;  
 \*Gini data for Pakistan and Maldives from 2008 and 2004 respectively.

While education is mandatory, literacy rates are relatively low in India 74%, Bangladesh 58% and Pakistan 55%, and high in Sri Lanka at 91% and the Maldives at 99%<sup>5</sup> Because of these significant challenges in improving development and reducing poverty, government programmes, while often large, are struggling to do so. There are still significant gaps in services that are usually covered by government, such as access to infrastructure, health, education and finance, for instance.

Therefore, the NGO sector and the donor economy have emerged strongly over the past decades to provide additional service coverage. Donors fund government programmes, but also roll out a lot of their programmes through the non-profit sector. In Sri Lanka, donors have been reducing their activities as the country has ended its civil war and remaining a middle-income country. In India, donors too have been reducing their traditional programmes as the government has signalled a preference for less aid as the economy has grown. In Bangladesh and Pakistan, however, donors together with NGOs fund and run a large number of services, especially outside of the urban areas, and for the poor.



## 1.2. Local Economic Development

It is in this context that local economic development is emerging across South Asia, at different speeds and in different ways. While local economic development is prevalent in the region, the terminology LED is not widely used. Often local governments are not aware of their legal responsibilities for local economic development or those programmes in place at State/Provincial or National level to support local economic development initiatives.

Local economic development is a process that brings together different partners in a local area to work together and harness local resources for sustainable economic growth. There is no single model for local economic development, approaches should reflect local needs and circumstances. LED creates an enabling environment for business and other stakeholders to work to promote equitable and balanced local economic growth. Pro-poor and inclusive LED enables local government to address poverty, unemployment and social deprivation, including through strategies for promoting youth employment, empowering disadvantaged and marginalised communities, support for skills development, and promotion of gender equity and equality ([CLGF Cardiff Consensus](#))<sup>6</sup>

This study is designed to follow up the recommendations and commitments set out in the [Cardiff Consensus](#), endorsed by CLGF members and Commonwealth Heads of Government in 2011.

For a more detailed overview of local economic development and CLGFs work in this area, as well as links to guides and primers for LED activity and please see the resources available at: [www.clgf.org.uk/local-economic-development](http://www.clgf.org.uk/local-economic-development)

## 1.3. This Paper

The paper sets out to give a brief overview of the state of local economic development across Bangladesh, India, Maldives, Pakistan and Sri Lanka, before delving deeper into each country to provide more detail on country specific developments in the area of local government and local economic development.

### 1.3.1. Methodology

This research has primarily relied on secondary data obtained through desktop research, including reviews of existing literature, and mapping of key policies. In addition we interviewed approximately five key stakeholders in each country. The interviewees were shortlisted after scanning relevant sources online, and discussing key contacts with CLGF. A draft paper was prepared for, and presented at the Symposium on Promoting Regional Cooperation and Local Economic Development in South Asia, in Colombo, Sri Lanka on 29-30 September 2014. Comments, feedback and further information from the symposium were incorporated in the final version of this paper.

### 1.3.2. Limitations to the Study

This is a first attempt to map local economic development across five South Asian countries. There has been a time constraint on the study, and it has been undertaken through desktop research primarily. Such secondary data provides a good overview of policies, but less information on the actual implementation on the ground and the outcomes and impact. Especially difficult has been finding successful case studies of local economic development in action outside of India.

### 1.3.3 Structure of the paper

The paper is organised as follows: Chapter two provides an overview of local government and local economic development across South Asia. Chapters three to seven detail local government and local economic development in Bangladesh, India, Maldives, Pakistan and Sri Lanka. Lastly chapter eight concludes the paper with a summary of the main findings and some reflections on the future of local economic development and local government in South Asia.

## 2. Overview of Local Economic Development in South Asia

This chapter will provide an overview of the details provided in the individual country chapters and analyse differences and similarities across the region. We begin by reviewing the local government structure and legal framework and degree of fiscal devolution across the five South Asian Commonwealth countries, before moving on to review definitions, practice and experiences of local economic development within the region. We consider what local economic development means across South Asia, the differences across urban and rural sectors, as well as examples of recent local economic development activities in the different countries.

### 2.1. Local Government across South Asia

The five countries covered in this paper all have decentralised power to set up local government. India and Bangladesh are the longest standing examples of relatively well functioning local government systems in place. India especially has a thriving local government system, which was further significantly empowered by the 73rd and 74th constitutional amendments in 1992.

Country	Policy Framework	Local Government in Practice
<b>Bangladesh</b>	Local government is protected through Chapter three of the Constitution. The Zila Parishad Act 2000, the Local Government (Upazila Parishad) Act 1998, the Local Government (Union Parishad) Act 2000, the Local Government (Pourashava) Act 2009, the Local Government (City Corporation Act 2009 and the Hill District Council Act 1989 lay out responsibilities and powers. LG has four tiers: Zila Parishads, Upazila Parishads and Union Parishads.	The local government is active throughout Bangladesh, and it is overseen by the national government.
<b>India</b>	The 73rd and 74th constitutional amendments in 1992 recognised local government, under Article 243 G of the Indian constitution, and the states are supposed to ensure delegation of responsibilities and devolution of power to the local governments. Additionally, each state has its own legal framework to guide local governance	Local government is active across India. The 73rd & 74th constitutional amendments have led to wider participation and citizen awareness at the local level, citizens' charters are also used to streamline participation. Additionally, schemes for organising community structures such as Rural and Urban National Livelihood Missions are operated at the local level.
<b>Maldives</b>	Local government is two-tier, comprising island councils and city councils, both are accountable to an atoll council. The Decentralisation Act passed in 2010 formalised the roles and responsibilities of Atoll and Island Councils and required that they be democratically elected.	The legal framework for local governance is recently in place and local government is in place across the country.
<b>Pakistan</b>	18th Constitutional amendment, and provincial LG Acts from 2010 and 2013 require Local Government elections. The LG are not applicable in FATA.	In spite of planned elections, elections have been postponed in all provinces except Balochistan.
<b>Sri Lanka</b>	The 13th amendment to the constitution brought in the local government. Under the nine second-tier provincial council authorities governed by the Provincial Councils Act 1987, there are 23 municipal councils, 41 urban councils and 271 rural pradeshiya sabhas. The local authorities are governed by the Urban Councils Ordinance 1939, the Municipal Councils Ordinance 1947 and the Pradeshiya Sabhas Act (No.15) 1987.	The local authorities oversee duties related to the public health, utility services and roads. Pradeshiya sabhas have some additional developmental responsibilities. Moreover, the local authorities can also create by-laws albeit subject to approval by the minister of the provincial council.



In Pakistan, the 2010 18<sup>th</sup> amendment to the constitution mandated local government to a function of the provinces however, while the four new local government provincial acts from 2010 to 2013 are in place for, these have yet to be implemented. Both local government and local elections have since stalled in all four provinces since 2009 with local government elections having only taken place in Baluchistan province. In Sri Lanka, meanwhile, provincial elections were held for the first time in 25 years in the North in 2013 following the end of the civil war, and the whole country now has provincial, and local government. In Bangladesh, local government is enshrined in the constitution and functions under the direction of the central government. Lastly, in the Maldives, the Decentralisation Act of 2010 enabled local government to be implemented through a two-tier system of island councils and city councils, answerable to the atoll council.

**2.2. Fiscal Devolution across South Asia**

There are laws in place for fiscal devolution across all five South Asian Commonwealth countries. In India, local government can raise some taxes such as those on property and land. Bangladesh and Pakistan, however, operate very centralised tax systems where almost all funds local government receive are allocated from the national or provincial governments. Pakistan has a federal system whereby almost all local funding comes from the provincial government, while more than 80% of the provincial government budget comes from the federal government. Maldives has a decentralised fiscal framework that allows fiscal devolution, although the local councils can still be controlled by the central government. Lastly, in Sri Lanka, local governments can collect taxes and levies, but are not in a position to set the rates independently of the national government.

Country	Policy	% LG in all govt. expenditure 2014
<b>Bangladesh</b>	All fiscal decisions are controlled at the national level with very limited funds raised through local government levied taxes.	6.7%
<b>India</b>	The councils are empowered to levy house and land taxes and borrow a limited amount of money. Other sources of revenue include special projects and fundraising through events. There is a provision for the issue of tax-free municipal bonds to bring in investments from the private sector.	1.5% (Urban)
<b>Maldives</b>	Fiscal devolution is still being implemented. Substantial fiscal autonomy can be transferred to Councils, although central government can still control the finances of the local councils.	Not available
<b>Pakistan</b>	Funds for LG are derived from provincial government, which in turn relies on national government for more than 80% of funds.	Not available
<b>Sri Lanka</b>	Local authorities are responsible for the collection of levies and taxes, property rates and assessment taxes as well as rents. However, none of the tax rates that the local governments levy are set by them	Not available

**2.3. LED across South Asia**

While local government is well entrenched across South Asia, local economic development is not as well defined. Governments in South Asia do not appear to use the language of Local Economic Development, though they emphasise the importance of economic development at the local level. The clearest example of local government driving local economic development is in India, where many government programmes are run through local governments. In Pakistan however there is a lot less emphasis on economic development at the local level by the federal and provincial governments, which may be because there is a reluctance to empower local government by provincial and federal governments and their political parties.

Instead, centrally administered donor-funded initiatives such as the Pakistan Poverty Alleviation Fund and the Multi-Donor Fund appear to be driving local economic development through enabling small business development. Bangladesh, as India, recognises the importance of driving local development through local bodies. However, even more so than in India, NGOs in Bangladesh are particularly active in driving local economic development. Additionally, across India, Bangladesh and Pakistan, microfinance organisations play an important role in enabling local development opportunities for the poor in rural areas.

Country	Understanding of LED	Drivers of LED
<b>Bangladesh</b>	Government of Bangladesh recognises the importance of driving economic development through local governing bodies as evident from its efforts to strengthen the Local Government Division (LGD) to implement social, economic and infrastructure development activities.	NGOs are driving local development in Bangladesh. The priorities set for LED are made by the national government. Most projects and policies related to economic development are related to agriculture, forests and fisheries, trade and industry as well as tourism
<b>India</b>	The strategy undertaken for economic development in India by different stakeholders is different, especially between the rural and urban areas. However, there is an emphasis on the need for economic development at the local level across the country, in both rural and urban areas. Many economic development projects rely on the involvement of local government (e.g. the National Rural Livelihoods Mission).	Most initiatives by local government in rural areas focus on improving farming practices, developing market access by value chain development and encouraging rural enterprises, including setting up cooperatives. There is also an emphasis on MSMEs development through the cluster development approach to build market linkages and improve production efficiency. In addition, microfinance-led microenterprises development is common, following the success of the SHG-Bank Linkage Programme for the Poor by NaBARD. In the urban areas, there is a growing focus on skills development through PPPs with industry.
<b>Maldives</b>	The Strategic Action Plan (SAP) 7 dated 2009 governs all development in the Maldives. The key themes of the SAP include good governance, social justice and economic development with all the strategies verified for climate change resilience. The decentralisation of public health was the first service to be transferred to the local bodies, in 2011.	The Government aims to achieve decentralisation in two phases. The first focuses on establishing provincial offices, local councils, initiating programmes to address immediate capacity building and advocacy, and development of operational frameworks for coastal zone management and climate change adaptation.
<b>Pakistan</b>	Pakistan federal structure devolves issues of local and provincial development to the Provincial Government. The legislation is in transition in the four provincial local government acts.	The provinces can now drive local economic development. Local government has considerable mandate over local economic development, including health, education and infrastructure.
<b>Sri Lanka</b>	The government's National Development Policy Framework Vision, Mahinda Chintana 2011-2016, lays out the importance of inclusive and local development while developing core economic sectors (agriculture, fisheries, livestock, irrigation, plantations, and tourism), enterprises, physical infrastructure as well as human capital. There is limited clarity on how the local level governments and authorities will be involved in this process.	The District and Divisional Secretariat Offices (DSOs) seem to be at the centre of all successful initiatives implemented by the local governments, especially those relating to economic development, reflecting strong integration within the different tiers of the government. The third sector is active in fostering partnership between the local government and the community to drive inclusive local economic development. Many the projects are focused in underserved regions.

There are few 'text-book cases' of local economic development driven by local government in South Asia, especially outside of India. Instead, private sector groups such as the Ejab Group in Bangladesh and Shiblee Hatchery and Farms, have taken up local economic development activities in rural communities. In India, we see local government enabling local economic development through the implementation of national level programmes, such as the National Rural Livelihoods Mission, as well as national programmes for animal husbandry and health camps. In Pakistan, the period 2001-2008 saw experimentation in local government driven local economic development. However, today, local economic development appears to be primarily driven by provincial and national governments as well as by donors and NGOs.

Examples are of microfinance organisations such as the Akhuwat Foundation that finances microenterprise across the country, and of donor-driven funds that enable entrepreneurship locally, such as the Livelihood, Enterprise and Employment Development (LEED) under the Pakistan Poverty Alleviation Fund. There are limited examples of local government-run local economic development programmes from Sri Lanka. One further example is the donor-funded Northern Livelihood Development Project, which works with conflict-affected communities in the Northern Province that suffered from many years of civil war.

Table 2.4. Examples of Local Economic Development across South Asia		
Country	Type	Stakeholders and Action
<b>Bangladesh</b>	Private sector- NGOs	Ejab Group and Shiblee Hatchery & Farms are two examples of private enterprises that have taken up local economic development through improving the lives of the community they work with as a part of their business function.
<b>India</b>	Local government and NGO together with local entrepreneurs and small businesses.	The local governments in the state of Kerala partnered with the Local Economic Development Society (LEDS) based in Kochi to work with small producers and entrepreneurs and build successful enterprises and collectives.
<b>Maldives</b>	Government is looking to develop local government projects.	There are proposed projects, for instance for energy but this is not yet in action.
<b>Pakistan</b>	Donor-funded poverty alleviation fund.	The Livelihood, Enterprise and Employment Development (LEED) under Pakistan Poverty Alleviation Fund (PPAF) works to support entrepreneurship development on a large scale.
<b>Sri Lanka</b>	Donors	The Northern Livelihood Development Project (N-LDP), a part of an EU-led programme, works with the conflict-affected communities, particularly those socially and economically excluded, in the Jaffna, Killinochchi and Mullaithivu districts

## 2.5. Summarising LED in South Asia: Challenges and opportunities

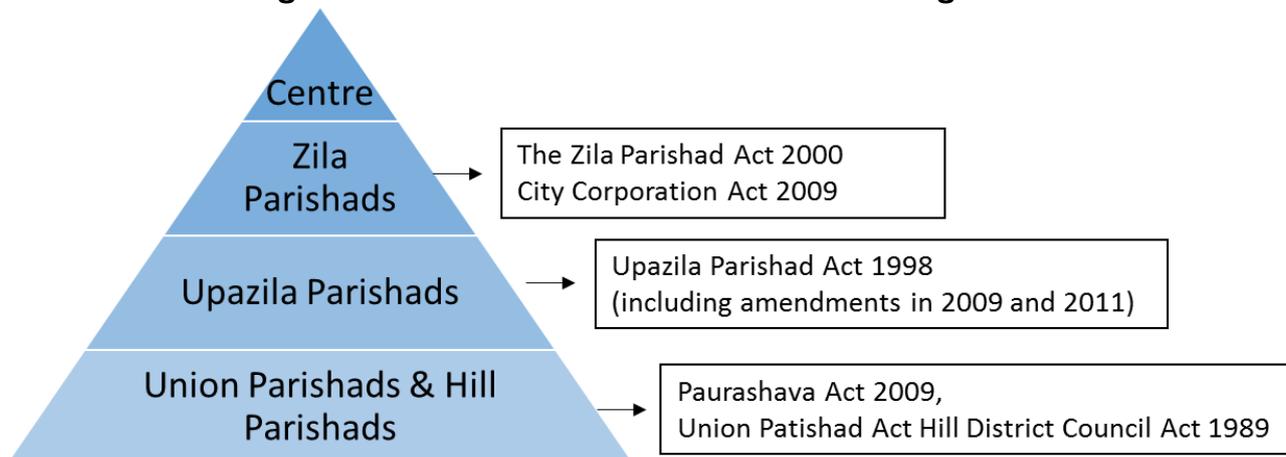
As noted above, local economic development is under way at different paces across South Asia. In India and Bangladesh, the decentralised local government systems mean that local economic development is working quite well. In Sri Lanka and Pakistan, meanwhile, there are fewer examples of local government led-local economic development though a clear mandate for local government to provide enabling environments and key infrastructure. Maldives has plans for decentralisation of power and fiscal devolution, but has yet to implement much of the recent legislation, though the legislation does provide local councils with significant scope for leading on LED.

This concludes the overview chapter of local government and local economic development across South Asia. The next five chapters will detail local government and local economic development in Bangladesh, India, Maldives, Pakistan and Sri Lanka respectively. Each chapter begins with a review of local government before moving on to considering local economic development in policy and practice. The paper then concludes by summarising main findings and discussing what is next for local economic development from the point of view of local government.

### 3. Local Economic Development in Bangladesh

Bangladesh has relatively well developed local government and there is evidence of local economic development across the country. Non governmental organisations play a considerable role in service delivery and economic development at the local level.

**Figure 3.1. Levels of Local Government in Bangladesh**



#### 3.1. Local Government in Bangladesh

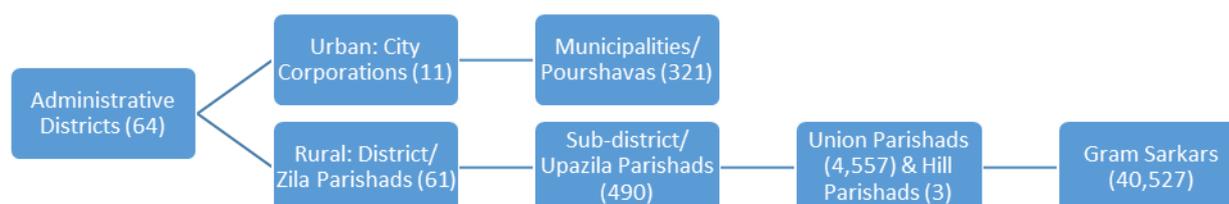
Bangladesh has a four tiered governance structure with the centre at the helm followed by districts or *parishads*. The constitution has clear provision for local government specifying powers and responsibilities towards raising revenues through taxes, preparing budgets and maintaining funds for local development.

The following key acts lay out the legal responsibilities and powers of respective tiers of local government:

- the Zila Parishad Act 2000;
- the Local Government (Upazila Parishad) Act 1998;
- the Local Government (Union Parishad) Act 2000;
- the Local Government (Pourashava) Act 2009;
- the Local Government (City Corporation Act 2009);
- and the Hill District Council Act 1989.

In terms of legal framework for local governance, the Local Government Division (LGD) under the Ministry of Local Government, Rural Development and Cooperatives is in place to oversee all the districts except for the hill district councils, which are under the Ministry of Hill Tract Affairs.

**Figure 3.2. Organisation of Local Government in Bangladesh**



As shown in figure 3.2. above, the 64 administrative districts have a tiered system of local government comprising single-tier urban authorities made up of ten city corporations and a three-tiered rural local government system comprising 61 *zila* (district) *parishads*, 490 *Upazila Parishads* (sub-district) and 4,557 *Union Parishads* plus three *Hill Parishads*. In 2009 there were also over 40,000 *Gram Sarkars* (villages) and this is increasing as more are constituted<sup>8</sup>. Each type of authority has a range of responsibilities and powers including public health, education and social welfare for city corporations and *pourashavas*, as well as implementing development projects, public libraries and roads for *upazila* and *union parishads*. The local governments are organised into three associations: the Bangladesh Union Parishad Forum, the Upazila Parishad Association of Bangladesh and the Municipal Association of Bangladesh (mayors). Although the membership is voluntary, these associations support the officials of local governments in carrying out their duties and help in safeguarding their rights and welfare.

In rural areas of Bangladesh, there was traditional *Panchayat* system exists as *Samaj*, which is a body of extended families and members of the same ancestral lineage dwelling in a particular area over several generations. Although this was not formally enshrined in the government system, the *Samaj* acted like the lowest tier of local governance in the rural areas and enjoys various administrative powers. It is actively engaged in village defence<sup>9</sup>, management and maintenance of religious and educational institutions, recreational activities, and management of *Samaj*-owned institutions like hospitals and cemeteries. *Samaj* also built and maintain rural infrastructure like roads, bridges, and irrigation systems, drinking water systems and playgrounds by generating voluntary financial and technical support from the community.<sup>10</sup> The *Samaj* system has now largely been subsumed under *Union Parishads*.

The National Electoral Commission is in charge of conducting all local government elections and has been digitizing the results since 1973<sup>11</sup>. The Election Commission through their field offices carry out all functions to enable local elections, including registration of voters, printing of voters list, management of national and local level elections, training of polling personnel and all logistical arrangements for elections. The frequency of elections at each tier of local government varies.

Since 1973, there have been nine Union Council Elections take place every five years; however, there have not been elections in the three hill district councils which comprise the Chittagong Hill Tracts since 1989.<sup>12</sup>

Bangladesh has provision for community participation especially in local governance which encourage the community to take part in planning, budgeting and implementing local level schemes. Although there is ample provision for community participation, it is still lacking, largely owing to both lack of awareness of their citizen's rights and limited initiative from the local government to involve the community. Although the governance structure in Bangladesh is decentralised and there are local authorities with defined powers and duties, the centre oversees all the activities carried out by local authorities right down to the *Parishad* and *Pourshava* level. The Local Government Division within the Ministry of Local Government, Rural Development and Cooperatives (MLGRDC) formulates all policies and legislation to regulate and oversee the local governments and ensure accountability. The Ministry of Hill Tract Affairs carries out similar responsibilities for the Hill districts.

Since 2006 the Government of Bangladesh has undertaken the Local Governance Support Project (LGSP) through which direct block grant has introduced changes in the inter-governmental fiscal transfer, transparency, community participation and accountability for and in *Union Parishad*. Following the success of LGSP, the government and development partners have initiated LGSP-II through which *Union Parishads* are receiving Basic Block Grants (BBG) and Performance Block Grants (PBG) under particular conditions. An increase in revenue including tax, rate, fees is an important factor for receiving PBG in LGSP-II. This pilot project also aims to identify links with LGSP-II that will foster LED initiatives in UP.

LGSP has made progress in terms of inter-governmental fiscal transfer in Bangladesh. It has,

- Helped *Union Parishads* to enhance their institutional image and credibility
- Set a culture of people's participation
- Set a degree for accountability and transparency
- Enhanced institutional capacity of *Union Parishad* in terms of democratic decision making, documentation and financial management
- Changed the outlook/ attitude of elected representatives and the community (if we set last eight years as a milestone, compare with previous practices, we will notice visible and measurable changes)
- Empowerment of elected women's representative (EWR)

There are some limitations or challenges in terms of participation (quality), transparency, accountability, competency and quality of schemes.

In addition to the division of urban and rural, Bangladesh also distinguishes its hill districts as a region that needs a different governance system owing to their specific development challenges. However, functions of the local governments within the rural, urban and hill districts are similar except for the economic development related responsibilities. The main functions related to economic development of the city corporations and *pourashavas* include fisheries, milk processing and markets, slaughter-houses, animal husbandry and livestock as well as trade fairs and shows.

### 3.2. Fiscal devolution in Bangladesh

All fiscal decisions are controlled at the national level with the share of expenditure by local government in the National Budget at 6.7% in 2013-14<sup>14</sup> this is low as compared to other countries in the region. Limited data is available on the spending patterns of the local governments as well as their income. Although the local governments can levy taxes and rates, their fiscal powers are very limited in practice. On top of revenue from taxes, rates, tolls, fees, rents and profits from property and investments, the local governments raise income through grants made by central government and international donor agencies. However, the main source of income for the local governments comes from the Annual Development Programme (ADP), a grant mechanism, discussed below. In addition to the ADP, local governments raise funds for building small scale infrastructure through allocations from programmes such as Food for Works (FFW), Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), Rural Infrastructural Maintenance Programme, and Old Age Pensions. Local governments also receive grants to cover the salaries and other fixed allowances as well as the cost of implementing certain programmes. In addition to limited sources for raising funds, the local governments have limited discretionary powers over the use of the funds transferred to them.

#### **The Annual Development Program (ADP):**

Of the four broad expenditure headings of the ADP allocation, namely, sector/program allocation, block allocation, self-financed allocation and food assistance, the local governments receive guaranteed transfers to carry out their functions through block allocations. Since the largest share of the ADP allocation goes towards programme allocations, a small part goes to the block/district level governments and an even smaller share goes to the local authorities (Bahl and Wallace, 2007).

The chief statutory roles of the *zila parishads* and hill district parishads include implementing development projects and plans assigned by the central government and maintaining rest-houses and inns. While urban governance is a single-tier structure the rural areas have a more layered administrative system. The ten city corporations include the three major economic hubs, Chittagong, Dhaka (north and south) and Sylhet. While *pourashavas* govern and provide services to towns with populations of at least 15,000 the *zila parishads* are the largest rural authorities with an average population of around two million<sup>13</sup> (CLGF 2013).

### 3.3. LED in Bangladesh

There are multiple active stakeholders driving local economic development in Bangladesh. While the government focuses economic growth at the local level through various projects and programmes implemented through different tiers of the local government such as the Small Ethnic Communities Plan by the Local Government Division. The third sector, is perhaps just as active in the country in local economic development. There are various country-wide, rural development programmes by prominent NGOs such as BRAC and Grameen to alleviate poverty through income generation programmes such as microfinance linked to micro-enterprise promotion, that drive the agenda of local economic development in Bangladesh. In 1990 by the Government of Bangladesh formed Palli Karma-Sahayak Foundation (PKSF) which has over 300 member NGOs. PKSF provides funds to various organizations for their microcredit programme with a view to help the land-less poor who have no land. Funds enable them to gain access to resources that lead to employment opportunities and enhancement of their livelihood.

Moreover, there are various donor-led and donor-funded programmes that aim to enhance agricultural productivity, afforestation, and reforestation projects in areas prone to climate change carried out with the local communities and field offices of the Bangladesh Forest Departments.

Thus, local economic development in Bangladesh is multi-faceted with various actors working alongside local government. It has a broad underlying theme of poverty alleviation, income enhancement and job creation.

The local governance mandate is clearly etched in the governance structure of Bangladesh, and so are the responsibilities, including those related to economic development, at each level. In urban areas, the City Corporation takes care of tourism and other economic services while in rural areas, the *Gram Sarkar* – through *Union Parishads* can take up activities related to economic promotion. *Zila Parishad* and *Union Parishads*, on the other hand, take up duties related to agriculture, forests and fisheries, economic promotion, tourism, milk processing, animal husbandry and other economic services. Apart from the local government, civil society organisations such as BRAC and Grameen Foundation have large scale projects aimed at employment generation and poverty alleviation.

The economic activity differs in the urban and rural areas and so do the functions of the respective local government. The main roles and responsibilities related to economic development for city corporations and *pourashavas* are markets, building control and regulation as well as development plans and community development projects.

On the other hand, the major activities of *zila parishads* and *hill district parishads* are implementing development plans and projects assigned by the central government, rest-houses and inns, encouraging and assisting *upazila parishads*. *Upazila* and *union parishads* hold more responsibilities, including developing agriculture, forests, fisheries, livestock, education, health, cottage industries, communication, irrigation and flood protection, developing local resources as well as overseeing the development activities of other agencies.

### 3.3.1. Nature of LED in Bangladesh

The Government of Bangladesh recognises the importance of supporting economic development through local governing bodies as evident from its efforts to strengthen the Local Government Division (LGD) for social and economic infrastructure development activities<sup>15</sup>. One key responsibility of the LGD is to enable local government systems in developing and managing economic growth centres and markets (*haat-bazaars*) and connecting *upazila*, union and village roads. Additionally, the Local Government Engineering Department (LGED) supports physical infrastructure building and focuses on the government's efforts towards improving socio-economic conditions and poverty alleviation through development of growth centre as well as rural and municipal markets.

Although close to 25% of its population lives in its densely populated urban areas<sup>16</sup>, Bangladesh has no urban economic development policy. The local economic development policies by the LGD focus on rural development, however, in 2011 the government drafted a National Urban Sector Policy which acknowledges both the dominance and contribution of cities like Dhaka, Chittagong and Sylhet in the economic development and poverty alleviation. This has not yet been passed to cabinet.

Most economic development projects and policies are related to agriculture, forests and fisheries, trade and industry as well as tourism. The Central Government has been the focal point of setting policies. However, implementation responsibilities are clearly chalked out for provincial and local governments, right down to the *Union Parishads* and *City Corp Pourshavas*. The local governments are charged with certain responsibilities broadly categorised under economic promotion and other economic services, as discussed in the previous section, often limited to enabling market access.

Table 3.1. Types of Economic Development Services

Economic Development Services	Central Govt.	Zila Parishad	Upazila Parishad	Union Parishad	City Corp Pourashava
Agriculture, forests and fisheries	√	√	√	√	
Economic promotion	√	√	√	√	
Trade and industry	√				
Tourism	√	√	√	√	√
Other economic services	√	√	√	√	√

The third sector plays a major role in local economic development in Bangladesh with the help of donors local governments have a more limited role. Although most bilateral and multilateral donors such as UNDP, World Bank, SDC, EU, Danida, ADB and GIZ work with the local governments to ensure smooth implementation of their projects, the local governments usually do not play a prominent participatory role. Therefore, some of their projects are explicitly focused on increasing the participation of the local government in the economic development and poverty alleviation efforts.

The Asia Foundation, for instance was assisting businesses and local governments in Bangladesh to build partnerships and work on job creation through small business development. Its Local Economic Governance Program (LEGP) aimed at supporting the private sector by firming up the capacity of business associations (*samities*) to make it more inclusive as well as improving the local-level public sector service market to promote rural SMEs at the sub-district level. It also assists in improving business environment at the subnational level through public private dialogues in select program districts to support private sector development and growth of MSMEs. It works with local partners like the District Chambers of Commerce and Industry, District Women Business Forums in Barisal, Sylhet, Rajshahi, and Rangpur, Bangladesh Federation of Women Entrepreneurs and the Management and Resources Development Initiative. More cases of local economic development are discussed in section 3.6.

Most local economic development efforts are focused in rural areas, particularly to build capacity of and markets for agriculture-based MSMEs. While the focus in urban areas is to strengthen business networks and associations and make them more inclusive, the projects in the rural areas are concentrated on training and capacity building programmes for micro-enterprises.

Some initiatives are also focused on making farming practices relevant to the private sector and therefore expanding their market. Market for Chars (M4C) by SwissContact, for example, works in the chars (small islands) in ten districts around the major rivers of northern Bangladesh to facilitate market systems for the region and improving the economic participation of the farming community. While these islands are very fertile, there is a severe lack of market access for the farmers in the region. By 2013, about 23,000 farming households received improved products and services, around 200 producer groups were formed to build partnerships with the private sector, and about 5,000 char women were trained on production practices and market linkages.

### **3.3.2. LED in Practice**

The **Government of Bangladesh's Ekti Bari Ekti Khamar** (One House One Farm) is a poverty alleviation family farming programme through family farming. The goal of the project is poverty alleviation through e-finance inclusion (i.e. fund mobilisation) followed by family farming livelihood and income generation of less-privileged and small-holders.

[www.ebek-rdcd.gov.bd/images/brochure\\_english\\_250314.pdf](http://www.ebek-rdcd.gov.bd/images/brochure_english_250314.pdf)

**The Bangladesh Bank is undertaking various initiatives** to promote entrepreneurship and job creation by partnering with the private sector and the government. For instance, it manages the Equity and Entrepreneurship Fund (EEF) for the Government of Bangladesh which encourages investors to invest in the software industry, food processing and agro-based industries. The Bangladesh Bank also partners with the Dhaka Chamber of Commerce and Industry to co-organise the Entrepreneurship and Innovation Expo as well as an entrepreneur development project to create 2,000 new entrepreneurs to strengthen the country's small and medium enterprises sector.

**The Central Bank has also put a refinancing scheme** in place to enable these entrepreneurs to get loans with a lower rate of interest from the refinancing fund to launch their new business ventures. Apart from city-based entrepreneurship, there are initiatives in place to promote rural enterprises. The Bangladesh Small, Medium and Cottage Industries Corporation (BSMCIC), for example, supports small industries through providing technical assistance, credit services, marketing information and infrastructural facilities. NASCIB works as the apex body for SMEs in Bangladesh. The services provided to SMEs include policy advocacy, information dissemination, capacity building, market promotion and technology upgrades, partly with the support of donor agencies.

#### **Democracy Watch Bangladesh: Women Participation in Local Government**

Democracy Watch Bangladesh runs a programme supporting elected women representatives. Some progress has been made in terms of the political empowerment of women. However, elected women representatives remain relatively fewer and less empowered than their male counterparts. [www.dwatch-bd.org/sdc/sdc.html](http://www.dwatch-bd.org/sdc/sdc.html)

**Katalyst** is a local economic governance program that aims to strengthen the private sector in rural Bangladesh by enhancing the capacity of business associations (*samities*) to represent member interests and to more effectively engage with public agencies and officials, including local government. It also works with rural agriculture SMEs to create market linkages and new products. This market development project aims to contribute to increased income for poor men and women in rural and urban areas. It does so by increasing the competitiveness of farmers and small enterprises by facilitating changes in services, inputs and product markets. Katalyst's approach is based on the premise that enhanced private and public sector business services, and an improved enabling environment, lead to more competitive enterprises, sustainable economic growth, and poverty reduction. Katalyst is co-funded by UK-DFID, SDC, and Danida and implemented by Swisscontact and GIZ International Services under the umbrella of the Ministry of Commerce, Bangladesh.

#### **Value chain development in Chittagong Hill Tracts by practical action and UNDP:**

the Chittagong Hill Tracts in Bangladesh owing to its difficult to reach location, is yet to be integrated with the markets, despite its potential to produce bananas, beef and papaya. The value chain development becomes even more important for the region as its inhabitants face serious food security threat. Practical Action in consultation with the Chittagong Hill Tracts Development Facility (CHTDF) is developing value chains in the three subsectors (banana, papaya and beef) with the support of UNDP. The project aims to secure tangible value additions within the three value chains that will enhance farm incomes for the community. The core focus of the value chain development project includes improved quality of agricultural inputs, capacity development of the value chain actors on improved production, processing and packaging, marketing and linkages between producers, input suppliers, traders and other service providers. To achieve these aims, the project also concentrates on addressing areas of improving value chain management with the local and national authorities and the CHDTF (such as infrastructure, information and policy advocacy) <http://practicalaction.org/valuechainchittagonghilltracts>;

[www.bd.undp.org/content/bangladesh/en/home/operations/projects/crisis\\_prevention\\_and\\_recovery/chittagong-hill-tracts-development-facility/](http://www.bd.undp.org/content/bangladesh/en/home/operations/projects/crisis_prevention_and_recovery/chittagong-hill-tracts-development-facility/)

### **Upazila Parishad and Climate Change Mitigation: Patuakhali District**

In the coastal Patuakhali District, local UP face severe challenges of climate change including flooding, saltwater intrusion, river erosion, and cyclones. Therefore, with the assistance of Action Aid Bangladesh, community-based participatory research teams assessed vulnerabilities related to climate change and created a community adaptation plan. These changes include improving rice and vegetable cultivation under saline conditions, securing food and essential documents during cyclones, preventing river erosion, raising the heights of house plinths, road construction, and reducing saline intrusion into freshwater bodies, and increasing the height of the dikes of ponds to keep out.

[www.actionaid.org/sites/files/actionaid/financing\\_local\\_adaptation.pdf](http://www.actionaid.org/sites/files/actionaid/financing_local_adaptation.pdf)

### **Infrastructure and Roads: Creating Road and Markets in Shahpur Village**

In Shahpur village, roads were built that resulted in water-filled ponds. The UP saw this as an opportunity and established cooperatives of unemployed youth who turned these ponds into fish farms. Cooperatives are also growing drought resistant vegetables and crops during winter. This has helped establish a local market for fish and vegetables, which villagers previously had to travel far for. Lastly, the UP has built a secluded bathing place with steps for women by the river to take baths and wash clothes. Previously women had to walk in knee-deep mud to get to the river. These projects were supported by the World Bank Local Governance Support Project.

<http://blogs.worldbank.org/endpovertyinsouthasia/bangladesh-local-governance-work-learning-field>

### **Local Government Engineering Dept: Public Engineering Services Locally**

The Local Government Engineering Department (LGED) under the Ministry of Local Government, Rural Development and Cooperatives (MLGRD&C) is considered a best practice organisation working with local government. LGED is in charge of planning and implementing rural, urban and small scale water resources infrastructure development projects, and provides technical support to local government. The LGED is decentralised with about 99% of its staff deployed to local areas and decision-making is delegated to local levels of region, district and Upazila.

[http://jica-ri.jica.go.jp/publication/assets/JICA-RI\\_WP\\_No.27\\_2011.pdf](http://jica-ri.jica.go.jp/publication/assets/JICA-RI_WP_No.27_2011.pdf)

### **Other Initiatives**

In addition, the microfinance in the country is majorly driven by three giant entities, namely BRAC, Grameen, Palli Karma-Sahayak Foundation (PKSF) and the Association for Social Advancement (ASA). While all three started with giving micro-loans and promoting micro-entrepreneurship in the country, they have now diversified into community-private sector partnership based enterprise development, educational institutions, banking and telecom services. Lastly, there are many businesses that undertake local economic development initiatives either as a part of their business function or corporate social responsibility. Ejab Group and Shiblee Hatchery & Farms are two examples of private enterprises that have taken up local economic development through improving the lives of the community they work with as a part of their business function. Family run business, Ejab initiated contract farming in 2008 with help from Action for Enterprise, Katalyst, IFC, and Winrock International to develop a guaranteed supply chain for their potato chips manufacturing unit. They worked with the farmer groups to help them deliver the prescribed quality and quantity of potatoes within a stipulated time by giving them the right orientation. Shiblee Hatchery & Farms, on the other hand, received nominal funding from USAID for training 200 farmers they work with to develop their capacities in farming practices.

### **3.4. Concluding remarks: Local Economic Development in Bangladesh**

To conclude, Bangladesh has a well developed system of local government. However, although local government has an enabling role, such as infrastructure development, its direct role in LED is not so well defined. Until recently, much of the local economic development that is taking place appears to be coordinated through NGOs and these are often donor funded rather than funded by the Bangladesh state though recent initiatives such as the *Ekti Bari EKti Khamar* programme and the drafting of the *National Urban Sector Policy* are starting to correct this.

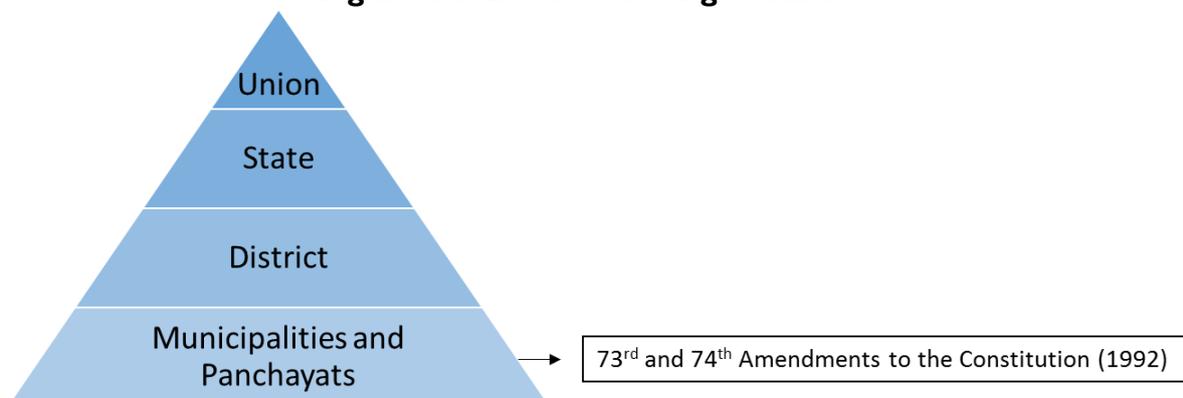
## 4. Local Economic Development in India

India's last general elections, held in 2014, saw the highest ever voter turnout with a change in power, with aspirations of economic growth and development. With a high level of inequality, there is a wide need for stakeholders to contribute to reducing the gap. The country already has a vibrant civil society and a history of rural local governing bodies known as Panchayats along with a vibrant cooperative movement, which has resulted in improvement in rural income. There is also an increasing urbanisation and while the local governance system was originally designed for a country with a clear urban and rural divide, these recent transitions call for structures that are evolving to adapt to these changes.

### 4.1. Local government in India

While the 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments in 1992 recognised and empowered local government, under Article 243 G of the Indian constitution the states are tasked with ensuring delegation of responsibilities and devolution of power to the local governments.<sup>17</sup> Additionally, each state has its own legal framework to guide local governance.

**Figure 4.1. Levels of local government**

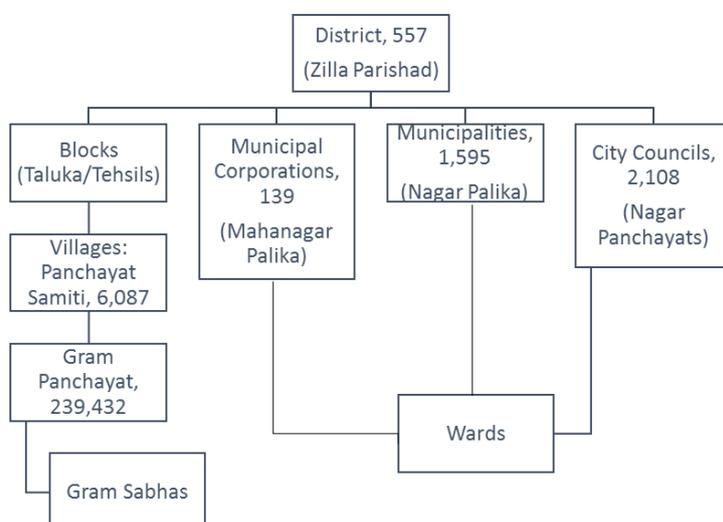


The legislature of a state can grant the *panchayats* with powers and authority needed to help them function as institutions of self-government. According to the Panchayat Devolution Index 2013-14, Maharashtra and Karnataka give greatest power to the Panchayats while the power to the Panchayat is least in Arunachal Pradesh, Manipur, Bihar, Jharkhand and Goa.<sup>18</sup> The *Zila Parishad* or the District Councils is the layer between the state and the local bodies comprising of the Blocks (*Taluka/Tehsil*), Municipal Corporations, Municipalities and City Councils.

Election processes are usually guided by the law defined by the states in keeping with the inclusive and consultative structures within the governance hierarchy to ensure monitoring the delivery of services. In both urban and rural areas, all councillors are directly elected by a first-past-the-post system for a five-year tenure with a minimum one-third of all seats reserved for women (many states have reserved 50%) as well as reservation for scheduled castes and scheduled tribes.

The number of reserved seats for the scheduled caste (SC) and scheduled tribes (ST) is determined by their proportional representation within the local population. The reservation for women in local governments has been increase to 50% in some states<sup>1</sup>.

**Figure 4.2. Organisation of Local Government in India**



Mayors get elected directly or indirectly for either one or five years, depending on the state. The position of mayor/chairperson is also assigned to vulnerable groups on a rotating basis. All municipalities with a population over 300,000 need to establish ward committees chaired by the local ward councillor. Of the 2.9 million elected representatives to the three levels of panchayats, about 42.3 percent are women, 13.70 percent belong to SCs and 14.6 percent are STs in 2013. Uttar Pradesh state had the highest number of elected women representatives while their number was lowest in Goa.<sup>19</sup> While the *Zila Parishads* have elected councillors, president and vice-president, its administrative machinery is headed by a Chief Executive Officer or District Magistrate who is either an Indian Administrative Service Officer or a State Civil Service Officer.

While the 73<sup>rd</sup> and 74<sup>th</sup> amendments to the constitution have led to wider participation and citizen awareness at the local level, citizens' charters are also used to streamline participation. There are also schemes for organising community structures such as National Rural Livelihood Mission and National Urban Livelihood Mission. Moreover, many states expect the cities to create area *sabhas* at grassroots level to promote bottom-up planning and management of assets. There are associations in place to ensure interactions between local government bodies at national, state and local level. Some of the state level associations for local governments include Kerala Grama Panchayath Association, Orissa State Panchayat Association, and Jharkhand State Panchayat Association. There are also women leaders' state level associations in some states like Goa Panchayat Mahila Shakti Abhiyan (GPMSA) and Panchayat Mahila Shakti Abhiyan of Maharashtra State. Apart from state-level organisations of elected representatives, or city managers' associations, national level associations include the All India Council of Mayors (the municipal corporations) as well as *Nagar Palik Pramukh Sangthen* (other urban municipalities).

Further, the Gram Sabha (made up of registered voters from the village) is mandated to undertake governance of panchayats, as noted in the Panchayat Extension to Schedule Area Act 1996. The Gram Sabha is where plans for the work of the Gram Panchayat are placed before the local community. The Gram Sabha acts as checks and balances, and ensures transparency in the work carried out by the panchayats. In other words, it keeps an eye on elected representatives.<sup>20</sup>

**Technology Enabled Citizens Participation:** there has been a nationwide effort to encourage community participation through technology. Besides the well-developed websites for the central and state governments, the district level, *Zila Parishad* offices also have their schemes and programmes along with district information posted on their website. Additionally, the *data.gov.in* encourages citizen participation through hackathons, inviting technology solutions to make data relevant for the citizens.

In 2004, a separate Ministry of Panchayati Raj was created to oversee the implementation of constitutional policies related to *Panchayati Raj*. While most of the duties and responsibilities, including framing policies related to local governance rest with the state governments, the Ministry aims to support the *panchayats* through advocacy and funding as well as technical and capacity building assistance. Additionally, the Ministries for urban development, housing and urban poverty alleviation, and rural development are guided by constitutional provisions and are responsible for developing nationwide policy for their sector which the local government bodies are expected to adhere to.

The ministries also participate in preparing model Acts, laws, by-laws, manuals, guidelines, checklists and capacity-building programmes for various functions. At the state level, there is a minister responsible for local government to supervise the administration of the relevant legislation propagated at the state level. In extraordinary circumstances, the minister or state government have the power to dissolve local government bodies, and govern them directly for up to six months, though this provision is rarely used.

### The Panchayat Devolution Index

The National Council of Applied Economic Research together with the Ministry of Panchayati Raj have created an index to measure and assess the level of devolution to local panchayats across different states in India. The devolution index measures the functions, finance and functionaries of the panchayat institutions, their accountability, and capacity building efforts to strengthen local institutions in the state. Every year a report is published with the latest ranking of states based on the index. More information:

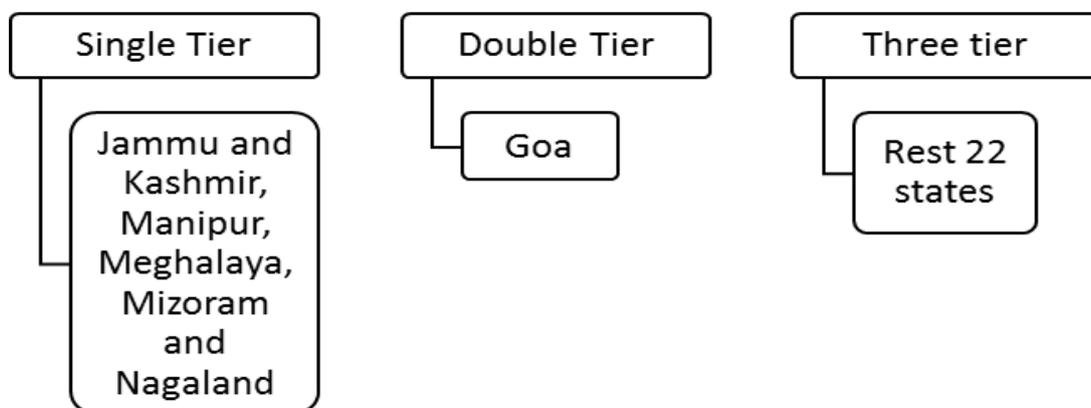
<http://www.panchayat.gov.in/> ; latest available report:

[http://www.iipa.org.in/upload/panchayat\\_devolution\\_index\\_report\\_2012-13.pdf](http://www.iipa.org.in/upload/panchayat_devolution_index_report_2012-13.pdf)

The government of India clearly demarcates between rural and urban areas, and as discussed earlier, they are governed by different legal frameworks as well, drawing from the 73<sup>rd</sup> and 74<sup>th</sup> amendments. The local government system is therefore split between urban (Municipalities) and rural councils (panchayats). However, there are overlaps in terms of development needs, and many rural areas are transitioning to semi urban areas with changing needs. The 74<sup>th</sup> Constitutional Amendment Act provides for three types of municipalities depending on the size and area, namely: *nagar panchayats* for areas in transition from rural to urban, municipal councils for smaller urban areas, and municipal corporations for larger urban areas.

In the urban areas, the municipal corporations, have a range of committees based on their core functions which take account of finance, education, water supply and sanitation. While these committees are for the purpose of deliberations and consultations, the decision making power rests with the councils who have the option to establish a wide range of other committees. In each state the authorities of the mayors and executive committees differ because they are determined by the respective state municipal acts. Each municipal body is assisted by a commissioner or chief executive officer, who coordinates the activities of all municipal employees.

**Figure 4.3. Structure of Local Government**



As seen in the figure, the panchayats are the local governing bodies with either two, three or single tier structure depending on their population. There is a division of duties between the tiers including a limited coordination role for higher levels of the *panchayati* authorities. Most State law sets up mandatory committees, however these are different

across the different states. The *Zilla Parishads* are also required to establish committees for finance and audit, planning, social justice, education, health, agriculture and industries. Additionally the gram panchayats have production, social justice and amenities committees.

## 4.2. Fiscal devolution

Fiscal devolution in India varies somewhat between urban and rural areas.

### 4.2.1. Urban Councils

While funds from the state governments partially support the infrastructure projects carried out by municipal governments, there is a provision for the issue of tax-free municipal bonds to bring in investments from the private sector including financial institutions, with the Pooled Finance Development Fund providing credit enhancement grants. The size of municipal expenditure as part of GDP has declined from 1.7% in 1998/99 to 1.5% in 2007/08, making the share of the municipal budget in the total budget of centre, states and urban local governments around 4%.<sup>21</sup>

Additionally, municipal councils are empowered to levy house and land taxes and borrow a limited amount of money. Other sources of revenue include special projects and fundraising through events. Cities contribute nearly two-thirds of the total national tax revenue due to the large proportion of taxes, fees, etc., collected from urban centres. Further, the 13<sup>th</sup> Finance Commission recommends that the maximum limit of profession tax collectable should be raised from the present value of INR 2,500 per annum and permits the local bodies to levy tax on the properties of the Central Government.

### 4.2.2. Rural Councils

The state governments are required by law<sup>22</sup> to review the financial position of the panchayats and urban local governments every five years in consultation with their state finance commission and make recommendations for the subsequent term. The 11<sup>th</sup> Central Finance Commission (2000-05) started to make recommendations relating to local bodies and referred to the measures needed to augment the consolidated funds of states to supplement the resources of panchayats and municipalities on the basis of the recommendations made by the Finance Commissions of the concerned states.

Moreover, to proportionately share the divisible pool of the central revenue, the 13<sup>th</sup> Central Finance Commission (2010-15) increased the volume of transfers to local government to INR 23,111 bn, a 400% increase, by recommending a General Basic Grant (GBG).<sup>23</sup> The GBG was to be made from the divisible pool of national government funds amounting to 1.5%, and performance grants amounting to 0.5% for 2011/12, and 1% of the divisible pool thereafter. The disbursement to the states and to the local bodies thereafter was phased. For rural areas, 4% of the divisible pool is proposed to be allotted to local bodies and earmarked for a range of activities, as noted in table 4.1.

Table 4.1. Activities Under Divisible Pool, Rural Areas

Activities	INR crore
Construction of Panchayat Ghars	23,587
Providing skeleton staff for each Panchayat as well as honoraria and sitting fees for elected representatives	87,730
Office expenses and e-governance	11,650
<b>Total</b>	<b>1,22,967</b>

Source: Chapter 10, Thirteenth Finance Commission Report

Table 4.2. Activities Under Divisible Pool, Urban Areas

Activities	INR crore
Requirement for all 28 states based on a uniform per capita requirement of Rs. 1578 per annum for provision of core services	63,893
Requirement of O&M for new assets funded under central schemes	20,000
Requirement under state schemes	16,400
Impact of the Sixth Pay Commission	24,288
Capacity building	1,290
<b>Total</b>	<b>1,25,871</b>

Source: Chapter 10, Thirteenth Finance Commission Report

For urban areas, on the basis of data collected from 19 states, the ministry estimates the resource gap of the urban local bodies are noted in table 4.2. Further, the 13<sup>th</sup> Finance Commission recommends providing support to areas where the 73<sup>rd</sup> and 74<sup>th</sup> amendments are not applicable.<sup>24</sup> It is also considering the suggestions from three state finance commissions to compute an index of decentralisation and use it as a parameter for transfers and other allocations from the centre.

**Table 4.3. Sub-Indices of Decentralisation Index**

<b>Sub-indices of Index of Decentralisation</b>
1. Untied investible funds devolved to Local Self Governments (LSGs) as a percentage of state expenditure
2. Own revenue of LSGs as a percentage of the state's own revenue
3. Number of personnel directly employed by the local bodies vis-à-vis those in the employment of the State Government
4. Percentage of local bodies not having elected representatives
5. Delegation of financial and administrative authority and responsibilities to local bodies
6. Extent of fiscal decentralisation
Source: Chapter 10, Thirteenth Finance Commission Report

### 4.3. Local Economic Development

The strategy undertaken for economic development in India by different stakeholders varies, especially between the rural and urban areas. Most initiatives by the local government in rural areas are focused on improving farming practices, developing market access for farmers by value chain development and encouraging rural enterprises. This includes setting up cooperatives for rural producers to build their bargaining power and undertake collective economic development. There has also been an emphasis on the MSMEs development through the Cluster development approach in order to build market linkages and improve production efficiency. Additionally, the microfinance-led microenterprises development has also been used extensively especially after the success of SHG-Bank Linkage Programme for the Poor by the National Bank for Agriculture and Rural Development (NABARD). More recently, in the urban areas, there is a growing focus on skills development and making it relevant to local industry through public private partnerships.

The National Skill Development Council, for instance, is a public private partnership initiative by the Government of India to build skills in core sectors like agriculture, automobile manufacture, healthcare, civil engineering, construction and real estate, among others. It partners with training service providers and companies for capacity building and placements. It also factors in the needs of the urban local bodies and works with them to support through meeting their skills related needs, such as resource requirements for various projects under the Jawaharlal Nehru National Urban Renewal Mission (JnNURM) including infrastructure, basic services to urban poor (BSUP) and Capacity Building and Institutional Development (CBID).

While both urban and rural local bodies are conferred with responsibilities towards local economic development, there is a clear distinction between the type of activities they take up and the support they need. For example, one of the primary economic development activities that the Panchayat support is agriculture through linkages to district level markets for village level cooperatives. The cities on the other hand seem to focus on transportation as a primary driver to support economic development.

### **4.3.1. Nature of LED in India**

Article 243 G of the Indian constitution protects the provision for the devolution of power to the local bodies by the State Legislative Assemblies and this includes functions related to economic development. The policy provides for the devolution of powers and responsibilities to Panchayats at the appropriate level relating to designing and implementing plans for economic development and social justice as well as the implementation of Centrally-funded schemes for economic development and social justice. Further, in terms of responsibilities related to enable local economic development, at the Union level the Ministry for Urban Development, Housing and Urban Poverty Alleviation and the Ministry for Panchayati Raj and Rural Development oversee the respective functions of local government.

Several state agencies are in charge of policy for poverty alleviation but these functions are gradually being transferred to local governments following a perceived failure to address local needs and priorities. Although the Panchayats were historically involved in the economic development of their area, they were made formally responsible in 1989 when the government of India increased their role and importance through direct funding with the aim of creating jobs in the rural areas.

### **4.3.2. LED in India in practice:**

There are a large number of local government led development projects underway across the country. Below are some examples of existing projects and initiatives.

#### **Women's and Girl's Empowerment:**

Bibipur village in Haryana has a gram panchayat that has initiated a range of initiatives to strengthen the role of women over the past three years. In 2014, Bibipur village panchayat announced the women gram sabha would decide the use of 50% of the funds it gets from the government for development works locally. The village has won awards for empowering the women's gram sabha, as well as for earlier launching an effective save the girl child campaign. The campaign against female foeticide has yielded results as the girl-boy ratio has improved drastically, from 37 girls and 59 boys born in 2012, to 51 girls and 45 boys born in 2013. Sources: [www.bibipur.com/](http://www.bibipur.com/);

<http://timesofindia.indiatimes.com/india/Now-women-to-decide-how-funds-are-spent-Haryana-panchayat/articleshow/34608182.cms>

While the services that urban local bodies provide include water, sanitation, solid waste management, roads, public conveniences, and slum improvement and upgrading, they are also responsible for urban poverty alleviation and economic development. Local governments are principally responsible for delivering services to a cross-section of citizens with the involvement of a number of partner organisations.

The government promotes the participation of the private sector through undertaking public-private partnerships in key critical development sectors such as health, education, sanitation, entrepreneurship and skill development. The National Skill Development Council, discussed in the subsequent section, works with several training service providers on a country-wide level to promote competitive and industry relevant skills development. State governments partner with urban health service providers to run emergency services and with non-profits to provide mid-day meals schemes, who in turn work with the local bodies on implementation. While the government has recognised MSMEs as a priority lending sector to funnel the capital flow through government provisioning of grants, equity, and subsidised loans for companies in this category, the local governments are involved in forming cooperatives to take collective advantage of the opportunities they offer.

### Gram Panchayat's e-panchayat Initiatives:

The government of India has initiated a programme to digitise local panchayats across the country, through the Digital Panchayat e-platform and with the support of the Digital Empowerment Foundation (DEF) together with the National Internet Exchange of India (NIXI), Gol. The goal is for each panchayat to have a website that improves the functioning of the panchayats and their service delivery, as well as to provide information about the Panchayat and services. The aim is also to strengthen and empower local communities as regards local government governance and transparency.

Three early adopters of e-panchayat and active websites are listed in the table. Chandama Gram Panchayat has a website which provides recent news, purview of services, including a database of all residents. Punsari Gram Panchayat, meanwhile, showcases the local village, and provides information about all the members of the gram panchayat, among other things. Lastly, the Hiware Bazar e-panchayat website, provides background and history of the village, information about the panchayat, and details of its many different development schemes and their effectiveness, something that the village panchayat is proud given its official status as a 'Model Village'.

Examples of e-Panchayats	
Gram Panchayat	To know more
Chandana Gram Panchayat, Haryana	<a href="http://chandana.epanchayat.in">http://chandana.epanchayat.in</a>
Punsari Gram Panchayat, Gujarat	<a href="http://www.punsarigrampanchayat.in">www.punsarigrampanchayat.in</a>
Hiware Bazar e-Pachayat, Maharashtra	<a href="http://hiware-bazar.epanchayat.in">http://hiware-bazar.epanchayat.in</a>

An important side effect of the e-panchayat initiative, is that it raises awareness of the internet among panchayat members, in turn enabling access to information that members may not have been able to access previously. What each of these pioneering village panchayats have in common, are leaders that are educated and relatively young.

They have returned to their villages and are keen to digitise in order to improve both local services, but also their villages' access to markets, or, for example, to attract tourism.

Sources: <http://epanchayat.in/>;  
[www.livemint.com/Politics/tz5RTCRoW8E4li75OyVYul/Panchayats-take-first-steps-towards-digital-empowerment.html](http://www.livemint.com/Politics/tz5RTCRoW8E4li75OyVYul/Panchayats-take-first-steps-towards-digital-empowerment.html)

### Cooperatives:

The National Policy on Cooperative (2002) emphasises the role that cooperatives can play in local economic development. There are cooperatives for agriculture credit, farm inputs, agriculture produce (sugar, wheat, milk, and oil), warehouse, fisheries, rubber and spices. The cooperatives have been successful in driving economic development at the grassroots level. India's 100,000 dairy cooperatives, for instance, collect 16.5 million litres of milk from 12 million farmer members every day, making a significant contribution to India's food supply. However, farmer cooperatives have yet to reach their full potential as they address their requirements for financing and technical support.

**National Agricultural Innovation Project** aims to enable accelerated and sustainable transformation of Indian agriculture by public organizations in partnership with farmers, the private sector and other stakeholders so that it can support poverty alleviation and income generation through collaborative development and application of agricultural innovations. The Project focuses on the management of change in the agricultural research system, research on production to consumption systems, research on sustainable rural livelihood security, and basic and strategic research in frontier areas of agricultural sciences.

(Source: <http://data.gov.in/community/agriculture-community/blog/national-agricultural-innovation-project>).

Sources:

The Multi-State Cooperative Societies Act, 2002,  
<http://agricoop.nic.in/imagedefault/cooperation/MSCSAct2002.pdf>

Cooperatives in social development and the International Year of Cooperatives: Report of the Secretary-General (2011)

[www.copac.coop/publications/un/a66136e.pdf](http://www.copac.coop/publications/un/a66136e.pdf)

### **Scheme of Rural Tourism:**

Various stakeholders, including enterprises are exploring the role of tourism in benefitting local communities and there is a role for the local governments to enable tourism-led economic development. There are prospects to improve the impact of tourism on local communities through training and employment generation.<sup>25</sup> In fact, the Ministry of Tourism has introduced a scheme for rural tourism which plans to promote village tourism as the primary tourism product. The implementation is planned to be done through a Convergence Committee headed by the District Collector to carry out assisted activities like improving the environment, hygiene and infrastructure.

Source: <http://tourism.gov.in/TourismDivision/AboutScheme.aspx?Name=Tourism%20Infrastructure%20Development&CID=66&INO=6>

**Samvardhan by Support Program for Urban Reforms for Bihar (SPUR Bihar):** Samvardhan is a six-year partnership programme (2010-2016) between the Government of Bihar and DFID that aims to spur economic growth and poverty alleviation through the state's urban centres. It plans to catalyse the Urban Local Bodies (ULBs) by building their capacities and enabling them to attract private investment to raise revenues and improve their services. Samvardhan will provide financial, technical and managerial support to the ULBs and related departments of the State. The Local Economic Development thematic area under this programme will identify the economic growth potentials of the ULBs for inclusive urban development and promote and guide growth of the pro-poor business sector and informal economy. Source: [www.spurbihar.in](http://www.spurbihar.in)

### **Madhya Pradesh Urban Infrastructure Investment Programme (MPUIIP)**

In the state of Madhya Pradesh, Project Utthan (or the Madhya Pradesh Urban Infrastructure Investment Programme) is strengthening service delivery of local councils in urban areas. The three year project (due to complete in 2015) is a collaboration between DFID, Government of UK and Government of Madhya Pradesh. The programme is expected to enable urban local bodies across the state to provide better basic services and water and sanitation infrastructure. The focus is especially on improving services for women and children.

(Source: [www.mpurban.gov.in/mpusp/About\\_Us.asp](http://www.mpurban.gov.in/mpusp/About_Us.asp))

### **Capacity Building for Local Entrepreneurship Development**

Despite a strong framework for local economic development in Kerala, its projects relating to entrepreneurship development have not produced the desired results due to insufficient access to end-to-end support. To improve the success rate of enterprises and enhance their earning capacities, local governments in the state partnered with the Local Economic Development Society (LEDS) based in Kochi (Cochin) to work with small producers and entrepreneurs and build successful enterprises and collectives. LEDS has a team of professional managers from diverse organisational functions as well as sectors such as government, NGO, Cooperative and Corporate. LEDS mentors and handholds enterprises to help them in their planning, improving business models, operations and capacity building.

(Source: <http://india.ashoka.org/achieving-local-economic-development>)

### **The Green Army: Agricultural Labour Bank in Thrissur District, Kerala**

The 'Green Army' – a skilled farm labour bank of predominantly women was created in 2010 by the Wadakkanchery block panchayat, Thrissur District because of an acute shortage of farm labour. The skilled labour bank now work on paddy clusters that have been registered with the Green Army. They have modern farm equipment, which means that their average production per hectare is 6-8 tonnes compared to the State's average production of 2.25 tonnes a hectare. In 2013, the turnover of the Green Army was Rs. 70 lakh in the first year and Rs. 1.05 crore in the second year; we expect Rs. 3 crore in the current year," Mr. Kishore says.

The Green Army has not only brought about women empowerment (by managing mechanical farming and repairing machines), but also contributed to mechanised farming in the district.

Sources: [www.thehindu.com/todays-paper/tp-national/tp-kerala/a-womens-army-will-have-a-greenearth-policy/article4487089.ece](http://www.thehindu.com/todays-paper/tp-national/tp-kerala/a-womens-army-will-have-a-greenearth-policy/article4487089.ece)

[www.downtoearth.org.in/content/they-show-way](http://www.downtoearth.org.in/content/they-show-way)

<http://greenarmywkly.org>

### **4.4. Concluding remarks: LED in India**

It is clear that India is the country in South Asia with the most examples of local government-led local economic development initiatives and projects. In addition, local economic development is enabled through country-wide initiatives such as e-panchayats as well as through national programmes that are delivered through local government.

## 5. Local Economic Development in Maldives

The Republic of Maldives is a nation of over 1,190 low-lying coral islands spread across 90,000 square kilometers of the Indian Ocean with a population of 300,000 people. Unlike the rest of South Asia, Maldives has no significant extreme poverty<sup>26</sup> (see table 1.3). However, compared to the rest of the region, the inequality in the distribution of income is particularly high<sup>27</sup> with wealth concentrated in the capital island, Malé with more vulnerable sections of the country living in atolls. Moreover, the atolls are highly dispersed and thinly populated which makes living, transportation and administration very costly. Maldives has been undergoing a series of reform initiatives introduced by the Government since 2004.

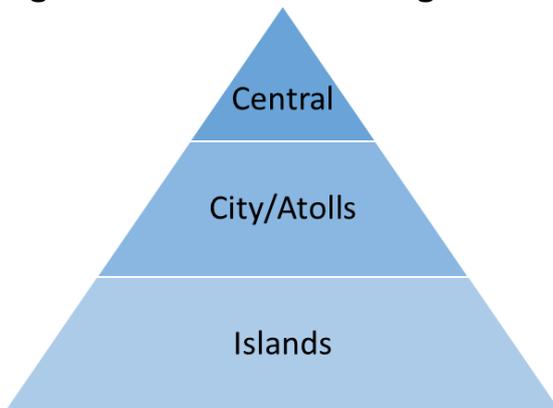
### 5.1. Local government

The island has 20 administrative units called atolls (in addition to the capital Male). Each atoll is known by a letter in the Maldivian alphabet in addition to its geographical name.

The Constitution was amended to establish a system of democratic governance. The revised Constitution ratified in August 2008, included a chapter entitled “Decentralised Administration”, stipulating that the administrative divisions of the Maldives has to be managed under a decentralised system. The Maldives has since embarked on an ambitious decentralization program in support of the Constitution’s requirements. While most of the institutions and systems are evolving as per the 2008 constitution, there is an urgent need for robust electricity, water and sewage infrastructure to support the economic development the country envisions.

In order to create the legislative framework required for the decentralised administration, the Decentralisation Act was ratified in May 2010, which defined three types of institutions to be developed; Local Councils (City, Atoll and Island Councils), Women’s Development Committees (WDCs) and Local Government Authority (LGA).

**Figure 5.1. Levels of local government**



The two-tier governance structure comprises of City Councils at city level, Atoll Councils at atoll level and Island Councils at island level. Decentralised functions are managed by elected councils.<sup>28,29</sup> Councils are headed by and president and vice president elected amongst elected councillors. While island councils are accountable to the atoll council and atoll and city councils are directly accountable to the Local Government Authority. The Decentralisation Act passed in 2010 formalised the roles and responsibilities of these councils and required that they be democratically elected.<sup>30</sup>

### **5.1.1. Decentralisation Act 2010 and LED**

Decentralisation Act of 2010 dedicates a full Chapter 8 to “Business Dealings of the Council”. Some of the salient features are:

- Authority to engage in economic activities.
- Should the amount of investment exceeds one third of the total estimated income for a given year, the council must share the information of that investment with the people of that council.
- Increasing role of the private sector
- Councils to promote participation of NGOs
- In order to realise economic and social prosperity, the council may collaborate with private, companies, associations and corporative societies.
- Providing Assistance to private parties by the Councils. The Councils may provide financial, technical, and other assistance to private associations and groups to carry out the projects included in the Development Plans of the administrative divisions, island or city.

### **5.2. Fiscal devolution**

With a legal framework for local governance recently put in place, fiscal devolution is still being implemented. The Constitution and the Decentralisation Act 2010 provide for a framework within which substantial fiscal autonomy can be transferred to Councils, however, there are contradictions between and the Finance Act and Decentralisation Act in the areas of fiscal decentralisation which could allow for the central government to control the finances of Councils.

Therefore, further clarities and elimination of the contradictions are required to overcome the existing hindrances to enhance a LED lead local governance system. Although, the councils can raise their own revenues through the listed sources such as the fees for municipal services and renting land and other assets, and vehicle and license fees but to create and facilitate an enabling environment required a strong commitment from both government and councils.

Further, the Decentralisation Act 2010 mandates a Women’s Development Committee (WDC) for each Island and City Council elected by the women in each island and city. For Maldives, the distinction between urban and rural becomes blurred with a lot of similarities and overlap between the functions of the two local bodies, the city council and island council. Besides, there are only two city councils, for Male and Addu, and the rest are 188 island councils and 19 atoll councils.

The Councils are entitled to a budget allocation from central government for office administration, provision of services and development projects. However, the use of the allocation is subject to national legislation. According to the Decentralisation Act 2010, Councils must prepare budgets based on their development plans, anticipated revenue and identify the kind of support required from government they then submit it to the Ministry of Finance and Treasury while keeping the Local Government Authority informed.

### 5.3. LED in the Maldives

The government recognises tourism, fisheries, agriculture, small and medium enterprises, energy, land reform, communication, science and technology as key areas which will drive economic development in Maldives (Strategic Action Plan 31, 2009). While the role of the local government in driving development is emerging, there are isolated tourism-led development with major private sector investment.

#### 5.3.1. The nature of LED in the Maldives

The role of local government in the economic development of the country is still firming up. However, as stipulated in the Constitution and Decentralisation Act, local councils in Maldives are entitled to promote local economic activities in a number of ways:

- Councils can acquire, own, invest in, lease out or give to other parties, land, reefs and lagoons for economic and social purposes and own such investments in the name of the Council.
- For economic or social purposes, acquire and own movable and immovable assets and to give or lease such assets maintained by the council to other parties.
- Seek loans from financial institutions and pledge council assets as loan securities.
- Entitled to create financial securities such as municipal bonds, bills and municipal securities and sell such financial securities in the Stock Market, to fund development activities;
- Enter into contracts and business ventures with private parties to provide the services mandated to the council.
- Foster the growth of tourism, fisheries, agriculture and other industries.
- Maintain the jetty of the island, build and maintain wharf, and operate the ferry terminal of the island;

#### 5.3.2. LED in the Maldives in Practice

There are few examples of local economic development being implemented by local government in the Maldives. There are, however, many plans for future local economic development. While the Maldives is strengthening its local governance system, its economic vision envisages a high income, resilient and inclusive economy. In doing so it aims to develop new sectors and invites partners from the private sector as well.

However, the benefit of development is yet to accrue to the more vulnerable sections of society. Another issue that faces the Maldives in terms of economic development is making the island resilient to climate change and disaster management.

- Regulate shops, tea boutiques, restaurants, café's, guest houses and public markets.

The fisheries and tourism sectors are particularly important in driving economic growth in Maldives. A range of activities from public sector companies, private sector investments and financial aid from development finance institutions support the two sectors. For example, the Maldives Industrial Fisheries Company controls the processing and exports of frozen and canned tuna, providing markets to fishermen and their clusters of all sizes. It was supported by the World Bank to strengthen production and storage capacity. The role of local government is important here, such as their responsibility for infrastructure (e.g. jetties) and planning.

While the Maldives is going through political, economic and social reform, the government has put emphasis on carrying out economic development through a more efficient system and wider public participation. Its decentralisation drive aims to decrease government bureaucracy and enable a more people centric and rights based approach to development.

Some of the projects that the Government has set out to pursue economic development include port development, oil and gas exploration, and the expansion of international airport. The government has set up Invest Maldives, an agency promoting, regulating and licensing foreign investments in the country, which is also the first portal dedicated to soliciting foreign investment in the Maldives.

## **Waste Management: Ukulhas Island**

The island of Ukulhas is the first island in Maldives to have established systematic waste management. The local government is a part of the initiative to systematically collect and dispose of garbage and waste. In 2014, the island won the Green Leaf Award by the Maldivian government for its success in keeping the island green and managing the waste disposal process. Ukulhas has a number of integrated programmes, including

### **De- and re-centralised Healthcare**

The D Act mandates City and Island Councils to “provide primary health care and other basic health security services.” Prior to 2008 the Ministry of Health and Family oversaw public health through the Public Health Department. After 2008 the department changed to the Centre for Community Health and Disease Control (CCHDC) which was responsible for overseeing the Public Health Units (PHU). These units were decentralised to the Island Councils. In some islands physical facilities that the PHU could operate from already existed and the PHU was established and operated under the Council. In other islands no physical facilities from which the

### **Local Island Services and Facilities**

The local government runs local services such as ferry services and jetties on each of the islands. The local authorities are also responsible for primary education facilities. (Source: Discussion with Maldives Delegation at South Asia Local Government Symposium, Sri Lanka, Sept 2014).

cleaning programmes, planting programmes, waste management programmes and marine and biodiversity programmes.<sup>32</sup> Beyond specific project examples, local government is, as noted earlier, responsible for planning and infrastructure, such as the island jettys.

Source: <http://en.wikipedia.org/wiki/Ukulhas>  
[www.ukulhas.com/waste-managing-in-ukulhas/](http://www.ukulhas.com/waste-managing-in-ukulhas/);

PHUs could operate existed and had to be built. However, the CCHDC was officially abolished by the President in January 2013 and its functions transferred to the newly formed Health Protection Agency (HPA). The PHUs were then transferred from the Island Councils and now report to the HPA. When the PHUs were under the Island Councils they were disconnected from the health system and had difficulty accessing specialised healthcare. However, the fact that healthcare has been centralised means it may contradict the D Act. Source:

[www.unicef.org/maldives/2013\\_Decentralization\\_Study\\_Final.pdf](http://www.unicef.org/maldives/2013_Decentralization_Study_Final.pdf)

## **5.4. Concluding remarks: LED in the Maldives**

Maldives has relatively recently implemented a local government system across its islands. There are many plans also to ensure that local economic development takes place in a decentralised manner. However, for now there are few examples of projects on local economic development in practice. Nevertheless, local government has a broad and central role in enabling local business and local development – an important outcome of the decentralisation act of 2010. Local Councils can now run businesses, borrow and enter into private-public partnerships, and undertake a great deal of planning, implementation and maintenance of local infrastructure. Good governance and good leadership among local government is therefore key in enabling local development across Maldives.

## 6. Local Economic Development in Pakistan

Pakistan has, like India and Bangladesh, a large number of poor citizens, for whom local economic development is important. However, unlike the other two countries, there has been limited activity at the local government level. Pakistan recently had its first ever democratic transfer of power.

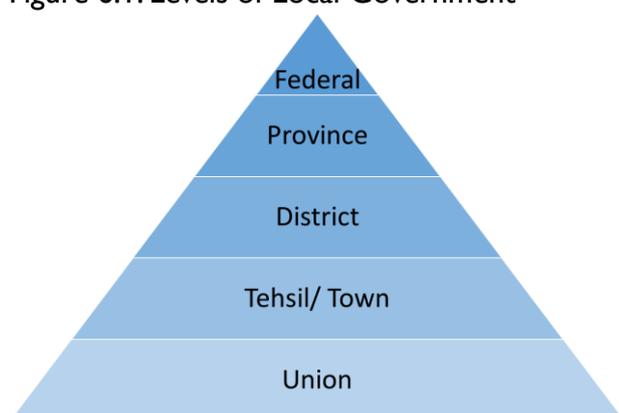
### 6.1. Local government

The tiers of government in Pakistan go from national down to village level. Pakistan is a federal country with four provinces Balochistan, Khyber Pakhtunkhwa, Punjab and Sindh. The 18<sup>th</sup> Constitutional Amendment in 2010 increased the autonomy of the four provinces and devolved local governance from the federal to the provincial government. The provinces are formed of districts, which includes larger metropolitan areas and cities. Under the new provincial local government acts, Punjab, Sindh and Balochistan will have Union Councils and District Councils in the rural areas and Wards/Union Councils/Committees, Municipal Committees, Municipal Corporations and Metropolitan Corporations in the urban areas (see details [www.lcap.org.pk](http://www.lcap.org.pk)). The Khyber Pakhtunkhwa (KPK) Local Government Act also provides for Village Councils in rural area and Neighbourhood

However, there are many political and security concerns in the country that hampers decentralisation of power to the local level and local government elections have been pending since 2009, with the exception of Balochistan province where local government elections were held in December 2013.

Councils in urban area, Tehsil/Town Councils, District Councils and City District Councils both for rural and urban areas. (LCAP publication, UNDP, 2014; CLGF, 2014).<sup>33</sup> Each tier has its own line of authority that includes the elected Nazim (Mayor) and Naib Nazm (Deputy Mayor). The Local Government Acts of Punjab, Sindh and Balochistan give less financial, administrative and political authority to local governments although it is clearly mentioned in the article 140-A of the constitution of Pakistan to devolve all three powers and authorities to Local Governments. There is also less space for marginalised groups (women, peasants, workers, minorities, and youth) to be part of the local governments, a violation of article 32 of the constitution of Pakistan. However, the KPK act ensures all three powers to local governments with giving enough space to marginalised groups.

Figure 6.1. Levels of Local Government



Whilst the provinces are mandated under the 18<sup>th</sup> amendment to ensure an elected local government system is in place, according to the articles of 140-A and 32 of the constitution of Pakistan, all but Balochistan are yet to hold election. The UNDP has supported the local government in Gilgit-Baltistan to draft a local government act and both the Cantonments and the Capital Territory of Islamabad which fall under the federal government have had their first reading of acts to enable local government.

The Federally Administered Tribal Areas (FATA), have not had local government laws applied to the region. Instead, under Article 247 of the constitution, the regular court system and political system do not function there.

### **6.1.1. 2001 Local Government Ordinance:**

The local government legislation prior to the 18<sup>th</sup> amendment was the 2001 Ordinance, a uniform system of local governments according to article 140-A and 32 of the constitution of Pakistan. It did not create a hierarchy or dependency between the local government entities and the provincial government. Instead the local government entities were linked to the National Reconstruction Bureau and the President's office (UNDP, 2014). Further, the authority for administration, finance and development locally was devolved to local governments and the relevant government departments became accountable to the councils.

The Local Government Ordinance 2001 mandated local governments to put in place processes to enable citizen participation in local development. For this, the District administrations and the Devolution Trust for Community Empowerment (DTCE) became an important way to build capacity and mobilise the local community (Ahmad & Talib, 2012). The ordinance of 2001 was also able to bring on board a large number of citizens new to government, as members of the local government (Cheema et al. 2014). Under the Local Government ordinance 2001, local government elections were held in 2001 and again in 2005. However, while elected local governments remained in place until their terms expired in 2009, the incoming national government in 2008, made it increasingly difficult for local governments to execute their work effectively. The national government eventually decided not to hold further local government elections, instead looking to create a new local government system. In short, following the change of power to a democratically elected government in 2008, the implementation of local government and local elections stalled.

### **6.1.2. 18<sup>th</sup> Constitutional Amendment and the new Provincial Local Government Acts**

The 18<sup>th</sup> Constitutional Amendment in 2010 devolved local governance from the federal to the provincial government. The provincial governments, in turn have passed a number of local government acts. The provincial assembly of Balochistan passed the Local Government Act for Balochistan in 2010. In 2013, the provinces of Punjab, Sindh, and Khyber Pakhtunkhwa followed suit with their own provincial acts on Local Government. Some parts of the Acts are being challenged through the High Courts and Supreme Court, including by the Local Councils Association of the Punjab, Election Commission of Pakistan and in some cases by the opposition parties.

Unlike the 2001 Local Governance Ordinance, none of these acts (with the exception of the KPK Act) make Local Governments independent of provincial governments. Rather, provincial governments retain the authority to suspend or remove the heads of elected local governments, and control the majority of the flow of finance to local governments (UNDP, 2014). The Punjab and Balochistan acts specifically state that district councils will function under the directions of the provincial government. There is relatively more autonomy for local governments in Sindh and Khyber Pakhtunkhwa.

For the first time in Pakistan the four provincial acts allow for parties to have representatives elected to local government. This has the potential to strengthen the interest of political parties in local government and local democracy, although it may also strengthen the ability of powerful politicians at the provincial level to control local politics and government. In parts of KPK and Punjab, the 2001 Ordinance structure is still in place at the local level, while awaiting the stalled elections. Further, Balochistan has not yet implemented the local government structure. Lastly, it should be noted that until elections are held and elected representatives can take up their roles, local governments in all four provinces are run by appointed bureaucrats, reporting to the relevant provincial leadership.

## 6.2. Fiscal devolution

Local governments essentially have negligible revenue sources of their own and are dependent on provincial governments for finance. However, they are responsible for collecting taxes for the provincial government. The provincial government, in turn, receive more than 80% of its budget from the national government. Local government finances will be audited by the Office of the Auditor General. All four local government acts provide for the establishment of Provincial Finance Commissions (PFC), headed by the provincial finance ministers. The local councils will receive allocations through the respective Provincial Finance Commission Awards. Additionally, local government has limited authority to impose taxes or exercise regulatory functions, according to the new Acts (UNDP, 2014). With the finances of staff and salaries effectively controlled by the provincial government, local governments will have very limited budgetary and administrative authority (Cheema et al. 2014).

In addition, in Sindh and Punjab Provinces, the provincial governments have recentralised the management of education, health and urban planning. All three had been part of the local government remit in 2001. Additional examples of functions that have been excluded from the local governments include, the Karachi Water and Sewerage Board, Sindh Building Control Authority, Lahore Development Authority (LDA), and Solid Waste Management, Lahore Transport Authority, (UNDP, 2014) The exception is Khyber Pakhtunkhwa, because their Act provides for more fiscal devolution to local government by empowering Village and Neighbourhood Councils to supervise all local government functions (ibid).

## 6.3. Local Economic Development in Pakistan

Pakistan has a federal government system with strong central and provincial government and at present a weak local government. All the devolved budget effectively sits with the provincial governments, and there are limited opportunities for lower level government to effect local economic development.

There is currently no specific framework for local economic development. However, there are laws within each of the four main provinces that govern local government. Local government elections are over due since 2009 and despite elections being scheduled in all four provinces in 2013, local government elections have only been held in Balochistan.

### 6.3.1. The nature of LED in Pakistan

Pakistan is federal and with most of the devolved budget sitting with the provincial governments, there is limited opportunities for lower level government to effect local economic development. There are no articles in the local government acts that clearly states that local government is responsible for local economic development in their constituencies. The situation differs between the Provinces, depending on the nature of decentralisation adopted by the provincial government. Rural areas have very limited business/economic development support, the four provinces authorise the Union, Village and Neighbourhood Councils to set up panels of Councillors for the purpose of enabling out of court settlements (UNDP 2014).

Some of the economic activities that local councils can undertake include:

- Regulating&maintainingprivatemarkets&bazaars
- Maintaining its own real estate e.g. public markets
- Maintaining slaughter houses/abattoirs; organising and regulating cattle fairs and markets, both for everyday use and for religious festivals (e.g. Eid).
- Milk supply
- Establish cattle pounds and regulate cattle grazing areas
- Agriculture extension at the village level (access to subsidies, support, technology);
- Water management on farms.
- Soil conservation and fertility
- Fisheries
- Forests
- Provision of peri-urban farm to market roads
- Skilling: enable development of skills particularly for crafts and cottage industries.

Further, apart from direct involvement in local economic development, local government provides municipal services, water supply and drainage, urban infrastructure, roads and bridges to support local industries. Karachi, for instance, has more than 4,500 industrial units in the formal sector to be catered by its metropolitan corporation.

### **6.3.2. LED in Pakistan in Practice:**

While local government has a limited representative capacity the continued stalling of election, the local councils continue to be responsible for key services and enable these activities to benefit the local community. These include providing key infrastructure such as water and roads. Meanwhile, development in local areas is undertaken by, for examples, NGOs and donors, as well as larger agencies of the federal government, including the Pakistan Poverty Alleviation Fund and Small and Medium Enterprises Development Authority (SMEDA). Further, many of the examples below are from the 2001-2008 period, but still serve as interesting cases of where local government enabled local economic development.

**Citizen Community Boards**, which were part of the 2001 Local Government Ordinance as an initiative to engage local communities in local development, The CCB was an initiative to engage local communities in local development by putting forward their own proposals, initiatives, and project. However, these have now been abolished following the 18<sup>th</sup> constitutional amendment and the new provincial acts. The Boards undertook community based projects on a voluntary basis. This could be across different levels of local government, such as between District and Union Councils. The Citizen Community Boards were voluntary and non-profit.<sup>34</sup> An example of an active Citizens Community Board was that founded by the residents of Basti Balochan in Bhuttapur, who came together to decide to improve the road infrastructure in the local area. This was especially poor during the monsoon. The citizens identified the need for improved infrastructure, formulated the proposal with the help of a local official, and subsequently implemented the project, improving the quality of the local roads. In addition, they raised 20% of the total cost from within the community.<sup>35</sup>

**The Karachi Metropolitan Corporation** owns 69 markets spread over the city. These include multi-story plazas and cumulatively comprises of 9,960 units of shops, offices, and small business units, from which it receives income. These markets serve local communities promoting small to medium enterprise and informal cottage industries. The City had earmarked a revenue target of Rs: 70 million for 2013-2014. Though it is not clear when the rent was revised last time, but it seems that it is quite modest as compared with the market trend. Therefore, there is a huge potential of revenue earning if the city revises the rent. Another important aspect is that these markets are situated at prime locations in the city with extremely high commercial real estate value.

This can potentially be exploited by the Metropolitan Corporation to seek credit rating, and laws permitting, raise loans from the private sector and banks for its capital/infrastructure investments. This, in turn, can not only improve the quality of services but also stimulate economic activities at local level. (Source: interview with Dr. M. Alam)

### **Faisalabad Area Upgrading Project**

The project undertook strategic planning of water and sanitation, district wide water quality testing with results plotted on maps (making results known at the Union Council level), improved billing systems, and had initiated a GIS system. For the first time, scaled area maps were made available to Union Councils and at the district level. "In 2004, DFID commenced the Faisalabad Devolution Project with local government partners in Faisalabad district (population 5 million). It is a multi-sectoral governance project with a WatSan component that has the following purpose: *Efficient, effective, democratic and transparent local government which is responsive to the needs of local communities and priorities of poor people and which can be replicated elsewhere in the province, in place in Faisalabad.*

The key project outputs are:

1. Transparent, accountable and sustainable planning, budgeting, management and revenue generation systems.
2. The enhancement of the capacity of councillors and local government staff to work effectively and in a participatory way with communities.
3. District Government use of better systems and ways of working to improve access and quality of school education.
4. TMAs' (municipalities') use of improved systems and ways of working to enhance access to and quality of WatSan services.
5. Communities empowered to voice their priorities to union councils, and to participate in planning, implementation and monitoring of local government programmes.
6. Effective monitoring, impact assessment system and communications strategy so that lessons are learnt, acted on and disseminated within and outside Punjab.
7. The Strategic Policy Unit (SPU) strengthened to play a key policy and co-ordinating role.

The Faisalabad Strategic Policy Unit (SPU) developed a five year Strategic Operational Plan in 2004 for the district, which recognised the lack of specialised skills. It is committed to providing quality services through integrated, sustainable development, and through partnerships between public, private and government organizations." Source:

[www.lboro.ac.uk/well/resources/Publications/Briefing%20Notes/BN21%20DFID%20Pakistan.htm](http://www.lboro.ac.uk/well/resources/Publications/Briefing%20Notes/BN21%20DFID%20Pakistan.htm)

### **Infrastructure Delivery: Sadiqabad Tehsil**

The Sadiqabad TMA decided to build a new bus terminal complete with a shopping complex, and contracted a private investment firm for the task (Masooma Rajput Muslim Brothers). This firm agreed to undertake construction of the proposed bus stand in two phases, giving priority to the bus terminals and in the next phase to build shops and other facilities to be offered on the bus stand premises. According to the terms of agreement between the contracting company and the TMA, the company will undertake the building of the planned bus stand and accompanying facilities in return for the right to charge a fee from those interested in renting the shops, while letting the TMA retain rent of all the shops. The firm deposited 2% as security with the TMA which was to be returned after the construction had been completed. The Sadiqabad general bus stand is therefore meant to be run on a self-finance basis. Source: S.M. Ali, *Assessing Best Practices in Devolution: Innovations by the Tehsil Municipal Administration, Sadiqabad*

### **NGO-PPP Hospitals Services in Rahim Yar Khan**

In 2003, the then Chief Minister's Initiative on Primary Health Care (CMIPHC), sought to encourage the implementation of improved healthcare delivery across districts through Basic Health Units. To improve the services of the BHUs, the CIMPHC formed a partnership with an NGO which was to run local healthcare facilities and services. The District Government of Rahim Yar Khan signed a memorandum of understanding with the Punjab Rural Support Program (PRSP), handing over the management of all 104 BHUs in the district. PRSP introduced a number of innovations, including recruiting district managers on contract at market rates, forming clusters of three BHUs managed by a medical officer in charge whose salary was 150% higher than the government standard, and improving the physical condition of the BHUs. PRSP was provided with the same budget as had been allocated the year before to run the BHUs. From the start, the experience spurred considerable debate in Pakistan. Under the arrangement, the District Government remained responsible for the funding that was needed to run the healthcare units such as salaries and cost of medicine, supplies and equipment. Source: Nayar-Stone et al, 2006, *Assessing the Impact of Devolution on Healthcare and education in Pakistan*, USAID. and World Bank: <http://documents.worldbank.org/curated/en/2006/03/7174816/partnering-ngos-strengthen-management-external-evaluation-chief-ministers-initiative-primary-health-care-rahim-yar-khan-district-punjab>

### **Service Delivery through PPP and NGO-Public Partnerships: Jaranwala Tehsil.**

The local administration of Jaranwala Tehsil in Faisalabad District undertook a number of ways to improve the local service delivery. For example, in cooperation with the NGO and private sectors, the tehsil put together database of the existing infrastructure, including water, sewerage, gas and telephone connections. The TMA also used Geographic Information System (GIS) technology to improve municipal functions. Having acquired satellite maps, with the help of an NGO, the TMA went ahead and updated existing maps, which had not been updated for several decades, through surveys. Therefore, to obtain an accurate database for its GIS, the TMA initiated surveys of all the urban and rural union councils in Jaranwala. The data on the ground together with the GIS generated maps, was used to prepare a master plan for the town. In this way, the TMS was able to better manage assets, reduce survey and design costs, and facilitate strategic planning of infrastructure development. (Source: S.M. Ali, 2004, *Identification of Best Practices under Devolution in Pakistan*, CIDA)

### **Participatory Sanitation System Development**

“The National Sanitation Policy (2006) endorses component sharing as an approach for larger communities and in urban areas. Developed by the Orangi Pilot Project (OPP-RTI), this approach has been replicated in a host of community based initiatives through urban Pakistan. The **Lodhran Pilot Project (LPP)** was a project to create a large-scale sanitation system, involving the local community in a participatory manner. The project is based on the Orangi Pilot Project. A survey showed that the sewerage system of Lodhran town, established in 1960, had expanded in an unplanned manner and only served 30% of the town's needs. Using the component sharing model of the Orangi Pilot Project, with the help of the local community, more than 22,000 feet of sewers were laid in 123 lanes over 3 years, with the TMA working on mains for disposal/drainage. As an incentive to communities, the TMA also paved most of the lanes. Further, with slight modification, this work was then further rolled out in nearby villages. Sanitation system based on the Orangi Project - community-driven and NGO supported sanitation system solutions in Karachi - [www.oppinstitutions.org](http://www.oppinstitutions.org).

### **Lahore Large-Scale Composting Facility PPP**

Lahore has a large composting facility that is run as a public-private partnership between the Lahore City District Government and the Lahore Compost Limited. The Lahore City District Government provided the land, and the plant obtains waste free of cost. The plant is owned by Lahore Compost Limited and this is the first large-scale composting plan in the country. The plant began operations in 2006, and soon attracted further financing for expansion by the World Bank. (Source: Pakistan Country Paper, SACOSAN III, Ministry of Environment, GoP, November, 2008; [www.worldbank.org/projects/P106652/pakistan-lahore-composting-project?lang=en](http://www.worldbank.org/projects/P106652/pakistan-lahore-composting-project?lang=en))

### **Aik Hunar Aik Nagar (AHAN)**

AHAN is a non-profit company under the Ministry of Industries and Production, Government of Pakistan. The concept of AHAN is based on the One Village One Product model prevalent in Japan, Thailand and other south and far eastern countries. AHAN undertakes various initiatives for rural micro and small enterprise modernisation, leading to creation and diversification of sustainable income earning opportunities. AHAN provides support to poor producer groups, craft persons and artisans and facilitates product development, quality assurance, marketing and technological enhancement. Source: <http://vimeo.com/67110616>

### **National Programmes Working Locally**

**National Rural Support Program (NRSP) and Punjab Rural Support Program (PRSP)** are two programs that are supporting the communities at local level to develop their own small businesses. Both the programs provide small loans and required skill to the entrepreneurs to establish their business.

**The Small and Medium Enterprise Development Authority (SMEDA)** was established in 1998 by the Ministry of Industries in order to foster the development of SMEs by facilitating policy making, planning, research and evaluation. It identifies business opportunities based on supply and demand gaps, and is in the process of setting up an SME supplier/provider database. In addition, SMEDA works to improve the access to finance for SMEs. Its Business Development Services include e-business, financial, training and marketing services. By the end of 2012 its Women Business Development Centres (WBDC) provides hands-on support to women entrepreneurs in five cities. The localised nature of the WBDC is an opportunity for local government to work with SMEDA to engage women in livelihoods generating business activities. [www.smeda.org/projects/WBIC-women-business-incubation-center.htm](http://www.smeda.org/projects/WBIC-women-business-incubation-center.htm)

Further, The Livelihood, Enterprise and Employment Development (LEED) under the Pakistan Poverty Alleviation Fund (PPAF) work to support entrepreneurship development on a large scale. PPAF also works closely with grassroots organisation such as *Akhawat* to learn if it can help in scaling relevant models at a national level. Government has also incorporated entities like Technical Education and Vocational Training Authority (TEVTA) to address the skill gap.

### **6.4. Concluding Remarks: LED in Pakistan**

While laws have been implemented to strengthen local government in Pakistan relatively recently, it appears that the process of local government has temporarily stalled in 2014 with elections having been deferred in all provinces except Baluchistan since 2009. At the same time, there is some visibility of local economic development with local government involvement. Further, local government can and should play an important role in basic services such as health, education and waste across the country. Local government also ensures that planning and infrastructure is implemented and maintained, something that affects the ability of local economic development programmes to affect change. It should be noted that in addition to local government, there are local economic development programmes undertaken by Pakistan Poverty Alleviation Fund as well as donors and NGOs. Again, the ability of local government to create an enabling environment for local economic development through infrastructure, planning, education and health initiatives, and policies has an important role in the implementation of such programmes. Further, the sustainability of local economic development programmes by external stakeholders, rest to a large extent on local government, as it is local government that has the ability to anchor new developments with local communities in local areas.

Several projects and programs like PPAF, SMEDA, TEVTA, NRSP and PRSP are being run by the national and provincial governments to support LED across the country, along with several donor-funded and NGO initiatives. However, there is limited coordination or collaboration between individual initiatives, or stakeholders. The result is limited impact on local economic development and local communities. Local governments, which should be key institutions at the local level, in driving LED, do not currently play a central role, or are used to their full potential.

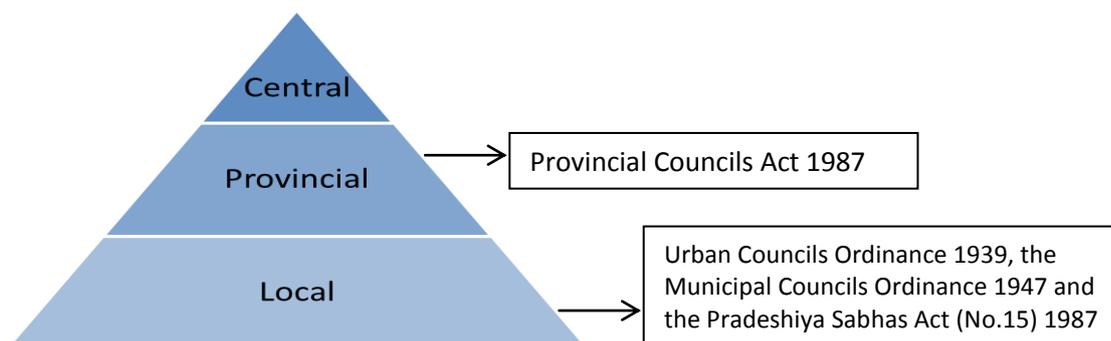
## 7. Local Economic Development in Sri Lanka

Sri Lanka saw peace restored in the island only in 2009 after witnessing 25 years of civil war. By then, the country had also suffered major destruction during the Tsunami. Its economic progress after the war ended is seen as an example of post-disaster and conflict recovery. It has one of the lowest poverty rates in South Asia (see table 1.3) and following the end of the civil war, Sri Lanka's economy has witnessed positive growth.

### 7.1. Local government

There are three levels of government in Sri Lanka, central, provincial and local.

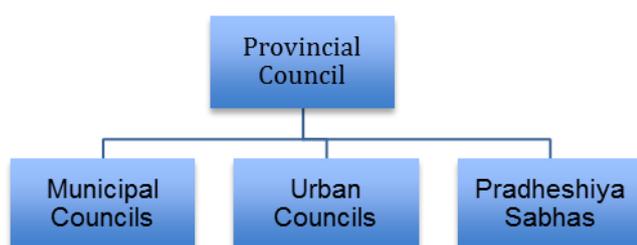
**Figure 7.1. Levels of government**



The 13<sup>th</sup> amendment to the constitution was passed in 1987 following the Indo-Sri Lanka Accord which scheduled local government as a mandate under provincial councils. Under the nine second-tier provincial council authorities which are governed by the Provincial Councils Act 1987, there are 23 municipal councils, 41 urban councils and 271 pradeshiya sabhas. These 335 third-tier local authorities are governed by the Urban Councils Ordinance 1939, the Municipal Councils Ordinance 1947 and the Pradeshiya Sabhas Act (No.15) 1987.

### Figure 7.2. Levels of Local Government

As mentioned above, local governance is included in the legal framework of the country with delegation of duty and power specified under three lists in the ninth schedule of the constitution. While the powers of provincial councils are specified in List I, List II identifies the powers reserved to the central government. List III is the concurrent list which sets out the powers that may be exercised both by the centre or the provincial councils following mutual consultation.



The Ministry of Local Government and Provincial Councils is in charge of formulating policy and legislation at the national level.<sup>36</sup> The provincial ministers of local government are in turn responsible for implementing schemes and policies at the local level. The functions, therefore, are layered and complex. For instance, a local business owner may have to go to multiple offices at the province and urban council level to obtain permits and licences. The responsibilities of the provincial councils comprise of internal law and order, provincial economic plans, education, housing and agriculture. The local authorities oversee duties related to public health, utility services and roads. Pradeshiya sabhas have some additional developmental responsibilities. Moreover, the local authorities can also create by-laws albeit subject to approval by the minister of the provincial council. This devolution of power was undertaken with a view to increasing community participation and particularly, in the view of creating an alternative solution to the demands for an independent state by separatist groups.

The first provincial council elections in 25 years in the Northern Province were held in 2013. For the rest of the provincial councils, elections were held in 2013/2014, and for 333 of the 335 local government authorities elections were held in 2011. Under the provisions of the Local Authorities (Amendment) Act 1990, political parties or independent groups/coalitions submit nomination lists of candidates with 40% representation of youth (aged 18 to 35) as specified on the council, plus three further names.

Constituency members can vote for the party/group of their choice, and indicate three preferences from the listed names, with provision of giving all three preference votes to the same candidate. The Commissioner of Elections determines the seats to be allocated to each party or group and confirms the appointments of the officials. The secretary general of the elected group/party nominates mayors, deputy mayors, chairpersons and vice-chairpersons with the consent of their internal bureau. All elected councils serve a term of four years in office. Some of the major powers and responsibilities devolved to provincial councils include internal law and order, implementation of provincial economic plans, education, provincial housing, agriculture and agrarian services, rural development, land use and land development, cooperative development, and local government.<sup>37</sup>

To ensure inclusivity, there is a legal provision<sup>38</sup> that requires every council to promote participation and partnerships with civil society and excluded groups. Its implementation, however, has not been systematic, with limited community involvement and interaction at the local government level. For example, women's representation in local government in 2011 was 1.85%. Nevertheless there are initiatives to ensure community participation and inclusive service delivery in some councils. For instance, the Ministry of Local Government and Provincial Councils with the support of the Information and Communication Technology Agency<sup>39</sup> is developing a computerised accounting system for local government authorities in Sri Lanka. This program will help citizens to access services provided by the local authorities. Though this initiative is still at the pilot stage. However, to ensure the initiative bears desirable results, the physical and human resources need to be enhanced along with the political will to include the marginalised groups. Civil society organisations engage with local authorities to find ways to involve the community in local governance and promote collaborative and inclusive service delivery through workshops and focus group discussions. Search for Common Ground Sri Lanka<sup>40</sup>, for example, in their Citizens in Governance Project work with leaders and members of the Pradeshiya Sabhas to find ways to include citizens in the local budgeting process.

The central government oversees the activities carried out by local governments through provincial councils. It stays connected through the hierarchical positions of representatives at each tier. The President appoints a governor for each province for five-year tenure. The governors execute the policies laid out for the provincial council through a board of ministers headed by a chief minister. In addition each provincial council has a chairman and a vice-chairman elected from among its members by majority vote. The chief secretary, appointed by the president, is the most senior public official. To encourage intergovernmental relations and ensure representation of local government authorities, the Federation of Sri Lankan Local Government Authorities (FSLGA) was set up in 2007. The FSLGA is an umbrella organisation of the three associations representing local authorities, the National Chapter of Mayors (for municipalities), the United Urban Councils Association and the Sri Lanka Pradeshiya Sabha Association.

In terms of governance, all Local Authorities appoint Mayor/Chairperson for a full term of four years. The Secretary of the political party with the majority could appoint the Leader of the Local Authority. Generally the person who secures the highest number of preferential votes will be appointed as the Mayor/Chairman of Local Authority. In some exceptional situations the party secretary appoints the Mayor/Chairman. Municipal Councils and Urban Councils needs to compulsorily appoint a minimum of two standing committees i.e. Finance and any other committee as per the requirements. Citizens cannot be appointed to these committees but they can form any amount of advisory committees with citizen representation. Lastly, *Pradeshiya Sabhas* have to appoint four committees i.e. Finance and Policy, Environment, Construction and Works, and Welfare. Citizens can be members of these committees. In addition they can form any amount of advisory committees. The Local Economic Development does not come as a vested subject with the local governments. Hence the councils have to create necessary by-laws for their involvement in such activities. Local Authorities could only provide conducive environment to stimulate local economic activities. Such as provision of parking places, markets, business licencing, and solid waste management. At the provincial level, one of the major functions delegated to the provincial council includes rural development, therefore they work with the Pradeshiya Sabhas on related issues and projects.

## 7.2. Fiscal devolution

Local governments in the third tier earn revenue from various sources, including grants from provinces and from central government. Local authorities are also responsible for the collection of levies and taxes, property rates and assessment taxes as well as rents. However, none of the tax rates that the local governments levy are set by themselves but within the limits prescribed by central government.

Sri Lanka is yet to have a formal policy of revenue-sharing and the Finance Commission makes grant and transfer decision on an ad-hoc need-basis. In terms of guaranteed transfers, grants are provided from both provincial and central government, especially to cover some of the administrative fixed costs. For instance, the central government covers salary bills in whole or in part for the *pradeshiya sabhas* (100%), the smaller urban authorities (about 70%) and Colombo Municipal Council (about 50%). Additionally, for infrastructure development, the Local Loan and Development Fund, a statutory body provides over LKR 100m of loans per year to local government at subsidised rates.

## 7.3. LED in Sri Lanka

The responsibilities related to economic development are layered in various levels of the administration and governance structure in Sri Lanka supplemented by micro-enterprise development projects supported by donors and civil society. Local economic development may not be used as a term, but there are active projects and initiatives in place relating to microenterprise development, local business promotion and livelihood generation programmes. Terms like community development and rural development are often used interchangeably to imply local economic development depending on the context such as the scale and scope of the initiative, geographic coverage and participation of different stakeholders. Business development services to small, medium and micro enterprises as well as initiatives surrounding technology transfer and creating an enabling business environment are all considered part of local economic development initiatives.

The District and Divisional Secretariat Offices (DSOs) are often at the helm or centre of any successful initiatives implemented by the local governments, especially those relating to economic development, reflecting strong integration within the different tiers of government. This could be because the resources allocated by the Central government are funnelled through the DSOs to the local governments to carry out development activities.

Council has to approve all disbursements, hence they are very much part of the decision making process. The third sector institutions or donors, seem to have independent initiatives related to local economic development and when they do work with the government, they work predominantly with the administrative part rather than the elected part of the government. There appears to be a lack of the mutual understanding of the roles and responsibilities between local government and donor-supported community organisations. Municipal Councils, for instance, have a clear mandate of responsibility to facilitate market creation, access, and regulation for businesses operating in their area. However, they have not been able to successfully partner with development organisations undertaking similar roles, such as the Good Market<sup>41</sup> that helps organic farmers, local producers and social entrepreneurs in accessing markets.

The activities of local government in urban areas is focused on town-planning and city-based development initiatives like beautification drives and widening roads with very limited role and opportunity in activities related to economic development. There are a lot of development needs and opportunities in the rural areas which means there is a lot of scope for local authorities to be involved in and drive local initiatives. International Growth Concepts, for instance, is piloting a mentorship programme working with rural micro and small enterprises to create access to markets for them through city-based small and medium enterprises, involving the local authorities through trade-fairs and exhibitions.

### **7.3.1. The Nature of LED in Sri Lanka**

Sri Lanka is one of the very few countries to have remained faithful to the Structural Adjustment Programme designed by the IMF and World Bank despite the change in governments. However, as a part of the process of opening up its economy, large scale privatisation drive, and lack of safety nets for the poor, a lot of farm subsidies were removed which acted as a disincentive for small farmers and rural micro-enterprises to contribute to and benefit from economic growth. However, Sri Lanka has undertaken various policy measures to alleviate poverty and reduce the economic and regional disparity such as the Integrated Rural Development Projects (IRDP) implemented across the country.

Also, the Central Government's National Development Policy Framework Vision, Mahinda Chintana 2011-2016, puts emphasis on preserving Sri Lanka's cultural values and traditions while developing a knowledge-based economy supporting better living standards. It lays out the importance of inclusive and local development while developing core economic sectors (agriculture, fisheries, livestock, irrigation, plantations, and tourism), enterprises, physical infrastructure as well as the key human capital sectors of health and education. There is limited clarity on how the local level governments and authorities are to be involved in this process. Also, there is a need for the national ministries, DSOs and local authorities to work in coordination in terms of LED activities. There are LED-related projects funded by the Central government or donors, but they do not always seem to be aligned with the activities and duties of the local governing offices.

At present the activities of the local authorities, *Pradeshiya Sabhas* or even the provincial councils focus on an enabling environment for infrastructure development activities such as roads and buildings construction as well as basic services such as health and sanitation, water supply, waste management. They are also in charge of recreational activities for the public. Although, they are not directly mandated to be involved in economic development activities such as agriculture, employment generation and poverty alleviation, they are authorised to spend some of the *Pradeshiya Sabha fund* on specific activities such as, research on industries such as animal husbandry. Also, the special commission report on local government reforms 1999 recommends involvement of local authorities in agriculture and animal husbandry, minor irrigation, waterways and reservoirs, tourist and commercial activities. The support and engagement of DSOs and Provincial Authorities is important to implement local government-led LED initiative.

Apart from mandated responsibilities related to economic development, there are areas where local government can participate by taking the initiative. For instance, local authorities can take steps to enable market access for local producers through activities such as organising exhibitions and trading fairs.

The third sector is active in fostering partnership between the local government and the community to drive inclusive local economic development in Sri Lanka. Many of the projects are focused in the underserved regions or post-war areas where development has been much less as compared to the rest of the country. The partnerships are aimed to promote entrepreneurship, market access to farm and farm based micro and small enterprises, as well as livelihood generation. For instance, the ILO as a part of its LED programmes, facilitates the Proposal and the National Action Plan (in partnership with UNDP) for reintegration of ex-combatants into civilian life in Sri Lanka. It also supports skills development through vocational training and income generation in conflict-affected communities through self-employment of ex-combatants, as well as youth and persons with disabilities. Moreover, UNDP's new flagship Governance for Local Economic Development Programme implemented in 2013-2017 supported the Ministry of Public Administration to develop 20 work manuals that detail the functions of public officers in various sectors, including *Samurdhi* (welfare), human resources and institutional management, planning and development and financial management.

The Programme has supported 13 districts of the Northern, Eastern, Southern and Uva Provinces to introduce results-based planning and monitoring mechanisms specifically developed to achieve the Millennium Development Goals. It has helped to establish links between approximately 450 community-based organizations and 15 Divisional Secretariats in Northern villages so that these organizations are better equipped to become active development partners and accountable service providers, complementing essential government functions.

The efforts towards local economic development and the support therein differs whether it is the post-war zone in northern and eastern province which is primarily rural or it is the more developed western and southern province. The strategies and focus of the initiatives also differ in the rural and the urban areas. For example, while the European Union supports the Ceylon Chamber of Commerce in promoting entrepreneurship among youth, it works with the UNDP to reintegrate the development of the northern and eastern districts through vocational training and microenterprise development.

### **7.3.2. LED in Sri Lanka in Practice:**

**The Northern Livelihood Development Project**, a part of an EU-led programme, works with the conflict-affected communities, particularly those socially and economically excluded, in the Jaffna, Killinochchi and Mullaithivu districts through engagement in livelihood opportunities. The Project has identified 13 producer organizations from the dairy, palmyra, paddy, seed paddy and fishery sectors for support. The Project is also in the process of identifying options for promoting employability and enterprise development for youth, women and socially excluded communities in order to increase economic efficiencies and generate income opportunities for excluded groups. The project is a part of the Governance for LED Programme by UNDP which focuses on the capacity building of sub-national level governance institutions to improve public sector delivery. It also aims to enhance the capacity of the civil society, the private sector and communities to accelerate socio-economic development and social cohesion in the northern region.

**The Local Empowerment through Economic Development**<sup>42</sup> Project, empowers people at the grass roots with sustainable employment and livelihoods. In collaboration with the Ministry of Labour and Labour Relations, LEED focuses on the conflict-affected communities in the Northern Province of Sri Lanka with special attention to vulnerable groups such as female-headed households, people with disabilities and unemployed youth. The initiatives support local enterprises and growth sectors, establishing hitherto unavailable market linkages with the private sector and cooperatives. They also provide linkages to essential banking and financial services, and facilitate job placements through partnerships with the private sector. One of the key objectives of the project is to facilitate the development and growth of these enterprises in collaboration with local government service. It will financially support the office of the Divisional Secretary, the local Pradeshiya Sabha and the Department of Agriculture to recruit staff to provide technical support.

**The Divineguma Programme**, Ministry of Economic Development, promotes micro, small and medium enterprise (MSME) across the country through capacity building, disbursement of MSME grants, trade facilitation, market access and infrastructure development. The programme, mobilised through Divisional Secretariat seeks to engage all the public sector institutions in provincial, district, divisional and local authority levels to drive the economic development in their respective areas. However, the Divineguma programme neglects regularising the framework conditions and pays little attention to supporting the development of market chains that involves MSMEs as well as larger enterprises. These successes were due in large part to having the right combination of stakeholders working towards a more enabling business environment for the local dairy sector.

**Swisscontact LED Project** was a LED initiative which was implemented through local DSOs and Local Governments (LGs) in Kurunegala District of Sri Lanka in 2005-2008. Maspotha division was one of these selected LED-localities in Kurunegala. As a result of initial economic appraisal, the stakeholders prioritised four main issues affecting the dairy sector:

- poor demand for dairy milk due to remoteness and limited collectors,
- very low price they get for a litre of milk,
- difficulties in getting proper service from veterinary surgeons office (VSO),
- business registration time taken for value added dairy businesses is three months.

Initially the project team organised a multi-stakeholder meeting to develop a plan for the dairy sector. They invited smallholder dairy farmers, farmer association leaders, medium scale collectors, chilling plant operators and a few large private sector processors. The chairman of the LGs, Divisional Secretary, VSO and livestock department provincial officials represented the public sector.

By the end of the project the four issues identified had been turned into opportunities for key stakeholders across the local dairy sector. Farmers benefited from a 22% price increase soon after the first multi-stakeholder meeting. This was predominantly as a result of one of the large processors setup new collecting centres which create a 140% additional daily demand for dairy milk. The DSO and chairman set-up a local service point of the veterinary surgeons office reducing the issue of getting veterinary advice for the dairy herds and raising productivity. Within a period of two months, the time taken to register a dairy business was reduced from three months to three weeks thanks to an intervention from the local government leadership. In addition delays in certification from the Public Health Inspectors (PHI) were eliminated by the local MOH office through the influence of the chairman of the Local Government.

### **7.4. Concluding remarks: LED in Sri Lanka**

In Sri Lanka many examples of local economic development exist, the challenge in identifying these is that the LED terminology is not widely used. While local governments may have minimal explicit responsibilities for LED their mandate for licencing, development planning, maintenance of public space, and health and sanitation inspections, among others have an important impact on facilitating local development. In addition, local government has an important role to play as a convener, bringing together local stakeholder from other levels of government, financial institutions, the private sector and the local community to discuss the local economy and overcome local challenges.

## 8. Concluding remarks

This paper has mapped the different policies, programmes and activities that together make up local economic development across the five Commonwealth countries of South Asia, namely Bangladesh, India, Maldives, Pakistan and Sri Lanka. Since local government is closely linked with local economic development, we considered the current state of local government, including fiscal devolution, in connection with local economic development, before moving on to evidence of policy decisions and policy implementation related to local economic development. Lastly, we provided examples of local economic development in practice for each country. Local economic development is not, as a concept, well understood across the region. Nevertheless, locally there are policies, programmes and activities in place that fit with the [Cardiff Consensus](#)<sup>6</sup> definition of local economic development.

We found that local economic development has emerged at different speed across South Asia, and appears to be closely linked with the maturity of local government systems across the countries. For instance, we found much more evidence of local economic development in India and Bangladesh, which have relatively well functioning and mature local government systems. Here, local governments are carrying out local implementation of national schemes. There is also evidence of improved efficiency and enabling business environment, such as the e-panchayat initiative in India, which is bringing local panchayats and some of their services online. Pakistan, on the other hand, has stalled the process of local government. Nevertheless, Pakistan has examples of local government enabling local business, such as the markets in Karachi. It should also be noted that where local representatives have not yet been elected, schemes and other services are carried out and organised by local bureaucrats. Maldives, meanwhile, has a long history of local government running jetties and local services across islands. However, the particular challenge that the nation is facing is that whilst some islands may have very small population, but still require basic facilities such as health and education infrastructure. Sri Lanka, meanwhile, saw the first elections in the war-affected region in 2014, and devolution is strengthening across the country.

Based on this research for this paper, along with the discussion during, and recommendations from, the CLGF Symposium on Promoting Regional Cooperation and Local Economic Development in South Asia, in Colombo, Sri Lanka in September 2014,<sup>43</sup> we found that, while many of the examples of local economic development, especially outside of India, were driven by NGOs and donor programmes, local government is responsible for many of the key programmes and services that enable effective local economic development.

These include delivering national schemes for economic growth and poverty reduction, and some councils are already planning and delivering local economic development programmes such as market development, business stakeholder forums and support for local cooperative development. At the same time, it is important for local government to engage the private sector, for instance through public-private partnerships. There are local governments leveraging their unique position to get the private sector to provide services, such as cleaning, road sweeping and rubbish collection. One example of this is the collaboration between the local municipalities in Pune, Maharashtra, India, and SwaCH, a cooperative of self-employed waste pickers and collectors that takes care of waste management in the city.

Local government needs to increase its focus on creating enabling environments for entrepreneurship and business locally. This is especially timely given that governments across the region are currently emphasising the need for more entrepreneurial economies, where innovation and new and growing business plays a major role. Levels of bureaucracy are a barrier to LED, and the mindset of local bureaucrats at times stifle the 'ease of doing business' locally, such as excessive 'red tape', complexity and time taken to start and register a business, difficulty in obtaining permits, subsidies, information about rules and regulations and so forth. More broadly, local government can do much to attract and enable business by working to ensure infrastructure such as electricity and internet, as well as adequate water and sanitation facilities, and develop markets or market access. Some examples, such as markets in Karachi, and the e-panchayat initiative in India, show that local government can be successful in creating enabling business environments.

However, national (and provincial/state) governments have important responsibilities and roles in enabling the policy and regulatory framework for creating enabling business environments at the local level. For instance, national government should support local government efforts to create an enabling environment through infrastructure, connectivity, roads and electricity programmes. National initiatives such as tax holidays, special economic zones and special dispensations for backwards areas, for instance, can help. Additional initiatives that can be helpful include investment promotion and decentralising foreign investment. Likewise, labour market policies may need to be adapted at the state/provincial or national level to better fit with current business needs. National governments should devolve funds to the local bodies directly to support LED.

Further, given the size of the informal economy in the region and its important role in economic growth, local government needs to take it into account when planning and implementing schemes for local economic development, or enabling business environment and support.

Lastly, two major challenges across the region are the role, and representation, of women, and the skilling and employment creation for young people. To date, we do not see evidence of local government taking a major role in creating new skilling programmes or employment opportunities. Rather, skills programmes are state/provincial (such as the Technical Education and Vocational Training Authority in Punjab, Pakistan) or national (such as the National Skills Development Corporation in India and the National Skills Development Council in Bangladesh). Likewise, the role of women in local government is limited across all five countries, but especially in Pakistan.

Looking to the future, it is clear that there is a lot of potential and opportunities for local economic development in South Asia, and that all governments are, in different ways, pursuing increased development through local government. There is a shift both from a top-down development strategy where the national or federal-level government takes most of the decisions on development, to a more bottom-up approach to local development where local government is increasingly empowered to affect local change and development. At the same time, there is a move away from local government as a regulator, to a much more active stakeholder in local economic development. However, in most countries in South Asia, the process of local government driven local economic development (both direct through projects, programmes and initiatives and indirect by creating an enabling environment) is relatively new. Nevertheless, with an increased focus on context specific and local economic development the world over, this is a great opportunity to ensure that local government and local economic development feature prominently in the strategy for implementing the new SDGs.

A key insight from this brief overview paper is that there is a lack of existing systematically collected information on best practices and what works (and does not work) in local government-led local economic development in the region. We also found that there is limited existing research on local economic development, especially when it comes to non-project based development e.g. enabling the local environment for doing business, and supporting entrepreneurship.

Further, there is little existing research on how local government can best engage with the informal sector across South Asia. This is particularly important in countries such as Bangladesh, India and Pakistan, which have very large informal economies. Further, accessing existing knowledge, research and best practice case studies is complicated because there is no one source or platform in the region to turn to, and limited intra-regional cross-country engagement.

Here, then, lies potential for the South Asia Local Government Forum, initially convened by the CLGF that could play a key role in synergising discussions, lessons and best practices and stakeholder engagements on local government and local economic development across the region. Especially useful could be to promote shared lessons and best practices from local governments across the region, in areas such as how best to empower women, how create enabling environments for business and entrepreneurship, including streamlining business permit and regulatory processes, and how to engage with skilling and youth employment. The regional forum could promote cooperation and knowledge-sharing by engaging in on-going dialogue at the local, state/provincial and national levels, events and awareness raising, as well as research and knowledge-sharing. The forum would ideally work with all governments in the region as well as regional organisations, such as the South Asian Association for Regional Cooperation (SAARC), of which all countries included in this paper are members. With a mandate to promote socio-economic development and economic growth among member countries and across the region, SAARC's focus is close to the needs of local government-led local economic development.

To conclude, we hope that this paper will further encourage a discussion and debate around existing efforts to localise local economic development, the role of local government in this, and of course the need for a more localised focus of future global SDGs. This is an exciting time to be working towards increased local economic development across Bangladesh, India, Maldives, Pakistan and Sri Lanka. Not only are there opportunities in each country to enhance and increase local economic development under the auspices of local government, but also for cross-country, regional lessons and collaborations in best practice.

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## ENDNOTES

- <sup>1</sup> UN Open Working Group proposal for Sustainable Development Goals <https://sustainabledevelopment.un.org/focussdgs.html>
- <sup>2</sup> Alongside these five Commonwealth countries, Afghanistan, Bhutan and Nepal are the non-Commonwealth countries of South Asia.
- <sup>3</sup> <http://www.reegle.info/policy-and-regulatory-overviews/MV>
- <sup>4</sup> Source: <http://www.internetworldstats.com/asia/my.htm>
- <sup>5</sup> Sources: CIA Fact book; UNESCO, Census of India, 2011, and World Bank Database.
- <sup>6</sup> [Cardiff Consensus, 2011](http://www.clgf.org.uk/statements/) available at [www.clgf.org.uk/statements/](http://www.clgf.org.uk/statements/)
- <sup>7</sup> Department of National Planning (DNP), Ministry of Finance and Treasury, DNP sometimes acts as a direct councilor to the President Office and is one of the oldest institutions in the country
- <sup>8</sup> One House One Farm (Ektee Bari Ektee Khamar) project [www.ebek-rdcd.gov.bd/index.php?option=com\\_content&view=article&id=50&Itemid=54](http://www.ebek-rdcd.gov.bd/index.php?option=com_content&view=article&id=50&Itemid=54)
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- <sup>20</sup> Further information: <http://www.rajpanchayat.gov.in/common/toplinks/act/chap2a.pdf>
- <sup>21</sup> 2010 XIII Central Finance Commission (XIII CFC) report
- <sup>22</sup> Articles 243-I and 243-Y of the 74th Constitutional Amendment Act
- <sup>23</sup> Chapter 10 Local Bodies, of the 13th finance commission, [http://fincomindia.nic.in/writeraddata%5Chtml\\_en\\_files%5Ccoldcommission\\_html/fincom13/tfc/Chapter10.pdf](http://fincomindia.nic.in/writeraddata%5Chtml_en_files%5Ccoldcommission_html/fincom13/tfc/Chapter10.pdf)
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- <sup>29</sup> *ibid*
- <sup>30</sup> [www.unicef.org/maldives/2013\\_Decentralization\\_Study\\_Final.pdf](http://www.unicef.org/maldives/2013_Decentralization_Study_Final.pdf)
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